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**PUBLIC SERVICE
COMMISSION**

Via Overnight Mail

April 10, 2008

Stephanie Stumbo Executive Director,
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2007-00562 and 2007-00563

Dear Ms. Stumbo:

Please find enclosed the original and twelve (12) copies of the DIRECT TESTIMONY AND EXHIBITS OF LANE KOLLEN filed on behalf of THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service

CERTIFICATE OF SERVICE

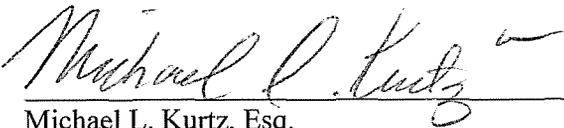
I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, to all parties on the 10th day of April, 2008.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 11 2008
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE)
FUTURE DISPOSITION OF THE) CASE NO. 2007-00562
MERGER SURCREDIT MECHANISM)

IN THE MATTER OF:

THE PLAN OF KENTUCKY UTILITIES)
COMPANY FOR THE FUTURE)
DISPOSITION OF THE MERGER) CASE NO. 2007-00563
SURCREDIT MECHANISM)

DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

April 2008

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE)
FUTURE DISPOSITION OF THE) **CASE NO. 2007-00562**
MERGER SURCREDIT MECHANISM)

IN THE MATTER OF:

THE PLAN OF KENTUCKY UTILITIES)
COMPANY FOR THE FUTURE)
DISPOSITION OF THE MERGER) **CASE NO. 2007-00563**
SURCREDIT MECHANISM)

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE)
FUTURE DISPOSITION OF THE) **CASE NO. 2007-00562**
MERGER SURCREDIT MECHANISM)

IN THE MATTER OF:

THE PLAN OF KENTUCKY UTILITIES)
COMPANY FOR THE FUTURE)
DISPOSITION OF THE MERGER) **CASE NO. 2007-00563**
SURCREDIT MECHANISM)

DIRECT TESTIMONY OF LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

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Q. Please state your name and business address.

A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. Please describe your occupation and your position.

J. Kennedy and Associates, Inc.

1 A. I am a utility rate and planning consultant holding the position of Vice President and
2 Principal with the firm of Kennedy and Associates.

3

4 **Q. Please describe your education and professional experience.**

5

6 A. I earned a Bachelor of Business Administration in Accounting degree and a Master of
7 Business Administration degree, both from the University of Toledo. I also earned a
8 Master of Arts degree from Luther Rice University. I am a Certified Public Accountant,
9 with a practice license, and a Certified Management Accountant.

10

11 I have been an active participant in the utility industry for more than thirty years, both as
12 an employee and as a consultant. Since 1986, I have been a consultant with Kennedy
13 and Associates, providing services to state and local government agencies and
14 consumers of utility services in the planning, ratemaking, financial, accounting, tax, and
15 management areas. From 1983 to 1986, I was a consultant with Energy Management
16 Associates, providing services to investor and consumer owned utility companies in the
17 planning, financial, and ratemaking areas. From 1976 to 1983, I was employed by The
18 Toledo Edison Company in a series of positions providing services in the accounting,
19 tax, financial, and planning areas.

20

21 I have appeared as an expert witness on planning, ratemaking, accounting, finance, and
22 tax issues before regulatory commissions and courts at the federal and state levels on

1 nearly two hundred occasions. I have testified in numerous proceedings before the
2 Kentucky Public Service Commission (“Commission”), including all Louisville Gas and
3 Electric Company (“LGE”) and Kentucky Utilities Company (“KU”) proceedings
4 involving the merger savings and the related merger surcredit, as well as the base
5 ratemaking proceedings involving ratemaking adjustments to revenues and expenses to
6 recognize the Companies’ retained shares of the merger savings. In addition, I have
7 developed and presented papers at various industry conferences on ratemaking,
8 accounting, and tax issues. My qualifications and regulatory appearances are further
9 detailed in Exhibit___(LK-1).

10
11 **Q. On whose behalf are you providing testimony?**

12
13 A. I am providing this testimony on behalf of the Kentucky Industrial Utility Customers,
14 Inc. (“KIUC”), a group of large industrial customers taking electric service on the
15 Companies’ systems.

16
17 **Q. What is the purpose of your testimony?**

18
19 A. The purpose of my testimony is to address the continuation of the Companies’ merger
20 surcredit amounts after June 30, 2008 in accordance with the Commission’s direction in
21 Case Nos. 2002-00429 and 2002-00430 for KU and LGE, respectively.

1 **Q. Please summarize your testimony.**

2

3 A. I recommend that the Commission continue the merger surcredits beyond June 30, 2008
4 until the effective date of new base rates, with the amounts of the surcredits adjusted
5 upward to reflect the completion on June 30, 2008 of the amortization of certain
6 accelerated one-time lump sum surcredit payments to various large customers. These
7 adjustments are necessary to reset the surcredit amounts to remove the effects of these
8 one-time payments and are revenue neutral to the Companies compared to the present
9 surcredit amounts. These adjustments are necessary to ensure that there is no undue
10 discrimination by including all ratepayers in the merger surcredits after June 30, 2008,
11 including those who took the lump sum payments. The LGE annual merger surcredit
12 amounts should be increased by \$1.382 million to \$19.427 million and the KU annual
13 merger surcredit amounts should be increased by \$1.070 million to \$18.969 million.

14

15 It is essential that the merger surcredits be continued beyond June 30, 2008 to maintain
16 the Commission's careful balance between the Companies' recovery and retention of
17 100% of the projected merger savings reflected in base rates and the sharing of 50% of
18 those savings with ratepayers through the merger surcredits. The Companies presently
19 recover and retain 100% of the merger savings in their base rates. In exchange for these
20 recoveries in their base rates, the Companies provide 50% of the savings to ratepayers
21 through the merger surcredits. The Commission has been careful to preserve this
22 balance between the Companies and their ratepayers for the ten year history of the

1 merger surcredit through the interrelationship of the base ratemaking recovery and the
2 merger surcredits.

3
4 I recommend that the Commission reject the Companies' proposal to discontinue the
5 merger surcredits effective July 1, 2008. The Companies' proposal is inequitable, unjust
6 and unreasonable. The Companies' proposal disrupts the status quo and the
7 Commission's careful balance between the Companies and their ratepayers. The
8 Companies' proposal shifts the historic equal sharing so that the Companies retain 100%
9 of the merger savings and ratepayers are denied any share of the savings.

10
11 In addition, the Companies' proposal will increase rates by \$19.427 million for LGE and
12 \$18.969 million for KU, a fact that the Companies not only acknowledge, but also argue
13 is appropriate based on alleged underearnings. However, the Companies' proposal
14 relies on two fundamental and false assumptions. The first assumption is that the
15 Companies are entitled to rate increases to recover increased base rate costs unrelated to
16 the merger through discontinuing the merger surcredits. The second assumption is that
17 the merger surcredits are the cause of their alleged underearnings on a ratemaking basis.
18 With respect to the first assumption, the Companies should file for base rate increases if
19 indeed their base rate costs have increased beyond their present revenue recoveries. In a
20 base rate proceeding, the Commission can not only assess the merger-related ratemaking
21 adjustments, but also all other evidence necessary to determine the amount of a base rate
22 revenue surplus or deficiency.

1
2 With respect to the second assumption, it is costs unrelated to the merger that have
3 increased. There have been no changes in the merger savings, the effects on the base
4 rate revenue requirements or the surcredit amounts since Case Nos. 2003-00229 and
5 2003-00230. Thus, the Companies' claims that the merger surcredits cause the alleged
6 underearnings are not correct.

7
8 The Companies also rely on computations of alleged underearnings that were prepared
9 and provided in response to Staff discovery. This proceeding is an improper forum to
10 consider increased recoveries of base rate costs unrelated to the merger and should not
11 be used to circumvent the normal statutory process for seeking recoveries of such costs.
12 In addition, in Case 97-300, the Commission rejected all consideration of the
13 Companies' overearnings as a pre-condition to the merger or as a factor in the sharing of
14 the merger savings. In that case, the Commission stated that any party claiming
15 overearnings had the option to file a complaint. Similarly, the Commission should
16 require the Companies to file for base rate increases if the Companies can justify them.
17 Nevertheless, if the Commission believes it is appropriate to reconsider the sharing
18 allocations in this proceeding, then it should consider increasing the allocation to the
19 ratepayers through the merger surcredits. Such an increase in the sharing allocation to
20 ratepayers could be used to phase-in the termination of the merger surcredits, which the
21 Companies and KIUC agree should not continue beyond the effective date of new base
22 rates in the Companies' next base rate proceedings. In the next base rate cases, base

1 rates likely will be reset without the adjustments to increase expenses for the merger
2 savings, which were projected more than ten years ago and cannot actually be measured
3 today.

4
5 Further, the Companies' computations of overearnings are flawed and overstate the
6 Companies base revenue deficiencies by \$38.855 million for LGE and \$37.838 million
7 for KU if the merger surcredits are discontinued as the Companies propose. They
8 overstate the claimed revenue deficiencies because they assume the continuation of the
9 merger surcredit, which reduces revenues, and they also include proforma adjustments to
10 increase expenses for the Companies' 50% share of the merger savings. If these two
11 errors are corrected, then both Companies are overearning based on their own analyses
12 at a 10.0% return on common equity, the lower end of the range the Companies
13 analyzed. LGE is overearning by at least \$25.288 million, substantially in excess of the
14 full annualized merger surcredit amount of \$19.427 million. KU is overearning by at
15 least \$14.801 million, or \$4.168 million less than the full annualized surcredit amount of
16 \$18.969 million. Thus, if the Commission considers the Companies' base rate revenue
17 deficiencies, then there should be no adjustment to LGE's merger surcredit amount,
18 other than the adjustment necessary to reflect the completion of the lump sum payments
19 amortization on June 30, 2008. The maximum adjustment to KU's merger surcredit
20 amount should be \$4.168 million, other than the adjustment necessary to reflect the
21 completion of the lump sum payments amortization on June 30, 2008.

1 In the following sections of my testimony, I address the Commission's ten year history
2 of carefully balancing the interests of the Companies and their ratepayers through the
3 interrelated base rates and merger surcredits and the Companies' arguments that they are
4 entitled to rate increases through discontinuing the merger surcredits. In addition, I
5 quantify the surcharge credits that should be effective on and after July 1, 2008 for all
6 ratepayers until new base rates are effective.

7
8
9 **II. THE COMMISSION HAS CAREFULLY BALANCED MERGER SAVINGS**
10 **SHARING BETWEEN BASE RATES AND MERGER SURCREDITS**

11
12 **Q. Please describe the ten year history of the Commission's ratemaking treatment of**
13 **the merger savings and the sharing between the Companies and their ratepayers.**

14
15 A. The Commission initially adopted the merger surcredits in conjunction with its approval
16 of the merger of Louisville Gas and Electric Company and Kentucky Utilities Company
17 in Case No. 97-300. The Commission approved annual merger surcredit amounts for
18 each Company based on the Companies' projected merger costs and savings. The
19 merger surcredit amounts were computed based on a 50% sharing between the
20 Companies and their ratepayers and an allocation of total savings between the two
21 Companies of 47% to LGE and 53% to KU. The merger surcredit amounts were
22 specified on an annual and increasing basis for an initial five year period. In addition,

1 the Commission directed the Companies to make filings addressing the continuation of
2 the merger surcredits prior to the end of the five year period.

3
4 Initially, there was no effect on base rates pursuant to the Commission's Order in Case
5 No. 97-300. This was appropriate based on the assumption that the Companies would
6 retain 100% of the actually achieved net savings, subject to 50% of the projected net
7 savings being provided to ratepayers through the merger surcredits. In this manner, the
8 Companies retained the risk of achieving the savings projected in Case No. 97-300.
9 Thus, from the onset, the Commission carefully balanced the interests of the Companies
10 and their ratepayers.

11
12 In addition, the Commission adopted the Companies' position in Case No. 97-300 that it
13 should not consider their earnings levels as: 1) a pre-condition to merger approval, 2) in
14 the determination of an equitable sharing of the merger savings between the Companies
15 and their ratepayers, or 3) in reflecting the ratepayers' share of the merger savings in the
16 form of base rate reductions rather than through merger surcredits. I have replicated
17 relevant pages from the Commission's Order in Case No. 97-300 that address the
18 Commission's decision on these three issues as my Exhibit___(LK-2), with the most
19 relevant issue to this proceeding being the Commission's determination that it would not
20 consider the Companies' overearnings in any manner in the merger proceeding.

1 The Commission subsequently reviewed the Companies' base revenue requirements in
2 conjunction with their requests for alternative regulation in Case Nos. 98-426 and 98-
3 474. The Commission authorized the Companies to implement earnings sharing
4 mechanisms ("ESMs") and required the Companies to reduce their base rates effective
5 March 1, 2000 based on a 1998 test year. In those proceedings, the Commission
6 incorporated a series of merger-related adjustments to annualize the effects on the
7 Companies revenues of the merger surcredits and to increase their operating expenses by
8 their 50% portion of the projected savings. These adjustments together had the effect of
9 increasing the base revenue requirement by 100% of the projected merger savings under
10 the assumption that the savings actually had been achieved during the test year and were
11 reflected in lower per books costs. This ratemaking treatment ensured that the
12 Companies recovered 100% of the projected merger savings through base rates
13 regardless of whether they achieved those savings and in that respect, represented a shift
14 in the risk to achieve from the Companies to the ratepayers compared to Case No. 97-
15 300. The Commission did not modify the merger surcredit amounts, which continued to
16 provide 50% of the projected net merger savings to ratepayers. Thus, the Commission
17 continued to directly link the base rate recoveries and the merger surcredits together.

18
19 The Commission subsequently reviewed the Companies' annual ESM filings and their
20 base revenue requirements on an annual basis. In each of these annual filings, the
21 Companies reflected the lower revenues due to the merger surcredits and ratemaking
22 adjustments to increase expenses for their 50% share of the projected net merger

1 savings. These annual ESM filings and rate adjustments continued the precedent set by
2 the Commission in Case Nos. 98-426 and 98-474 whereby the Companies were allowed
3 to increase their base revenue requirements by 100% of the projected merger savings.
4 The ratepayers continued to receive their 50% share of the projected merger savings
5 through the merger surcredits.

6
7 The Commission subsequently reviewed the operation of the merger surcredits in Case
8 Nos. 2002-00429 and 2002-00430 in conjunction with the five year review set forth in
9 Case No. 97-300. The Commission determined that the merger surcredits should be
10 continued for at least another five years. In those proceedings, the Commission
11 approved a unanimous settlement among the parties that increased and leveled the
12 amount of the merger surcredits and allowed certain large customers to elect to receive
13 one-time lump-sum payments of most of their share of the next five years' of surcredits
14 on a discounted basis. I have attached a copy of the Settlement Agreement approved by
15 the Commission as my Exhibit___(LK-3). The Commission also authorized the
16 Companies to reflect the increased projected savings in their future ESM filings. These
17 changes were reflected by the Companies in their last ESM filings in Case Nos. 2004-
18 00069 and 2004-00070 for LGE and KU, respectively, which were based on a 2003 test
19 year. Thus, the Commission continued to carefully balance the interests of the
20 Companies and their ratepayers between their base rates and the merger surcredits.

21

1 The Commission again considered the Companies' base revenue requirements in Case
2 Nos. 2003-00433 and 2003-00434. The base rates from these two proceedings remain in
3 effect today. In those proceedings, the Commission terminated the Companies' ESMS
4 and returned to traditional regulation. In those proceedings, the Commission again
5 reflected the effects of the merger savings from its decision in Case Nos. 2002-00429
6 and 2002-00430. The Commission again reflected the lower revenues due to the merger
7 surcredits and an adjustment to increase expenses for the Companies' 50% share of the
8 projected net merger savings in each Company's base revenue requirement. The
9 Commission included \$38.855 million in LGE's base revenue requirement and \$37.938
10 million KU's base revenue requirement to reflect 100% of the projected net merger
11 savings. The ratepayers continued to receive their 50% share of the projected net merger
12 savings through the merger surcredits. Thus, the Commission continued to carefully
13 balance the interests of the Companies and their ratepayers between their base rates and
14 the merger surcredits.

15
16 **Q. Does this careful balancing of the interests of the Companies and their ratepayers**
17 **continue today?**

18
19 A. Yes. The Companies' base rates, last reset in Case Nos. 2003-00433 and 2003-00434,
20 still provide the Companies with recovery of 100% of the projected net merger savings
21 and the merger surcredits still provide their ratepayers with 50% of the projected net
22 merger savings.

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Q. Do the Companies agree that they receive recovery of 100% of the merger savings through base rates with an equitable share of the savings (50%) to their ratepayers?

A. Yes. The Companies stated in response to Staff discovery in this proceeding that “Base rates have included 100% of the merger savings with the surcredits providing an equitable share of the savings (e.g. 50%) to the customers.” I have replicated and attached a copy of the Companies’ responses to Staff 1-2 as my Exhibit ___(LK-4).

Q. If the merger surcredits are discontinued, what effect will that have on the Companies and their ratepayers?

A. The Companies will receive significant rate increases, a point which the Companies acknowledged in response to Staff discovery. I have replicated and attached a copy of the Companies’ response to Staff 1-2 as my Exhibit ___(LK-4). The Companies will continue to receive recovery of 100% of the projected merger savings through their base rates. However, the ratepayers will not receive their 50% share of the projected merger savings that has been in place since the merger was approved in Case No. 97-300.

Q. Is that equitable?

1 A. No. Instead of the historic 50% sharing of the projected merger savings between the
2 Companies and their ratepayers, the Companies will receive 100% and ratepayers will
3 receive 0% of the projected savings. The Companies will receive rate increases and
4 ratepayers will be required to pay those rate increases. This is inequitable, unreasonable
5 and backward. If anything, after ten years of sharing, the ratepayers now should receive
6 100% of the savings, not 0% of the savings and should not have to wait until the
7 effective date of new base rates resulting from the Companies' next base rate
8 proceedings. It makes no sense to change from the equal sharing status quo to an
9 interim sharing of 100% to the Companies and then completely eliminate the
10 adjustments to base rates altogether on the effective date of the new base rates resulting
11 from the Companies' next base rate proceedings. The Companies' proposal would
12 result in an interim aberration in the wrong direction.

13
14 **Q. If the merger surcredits are continued beyond June 30, 2008, how long should they**
15 **continue?**

16
17 A. The merger surcredits should continue so long as the Companies receive recovery of
18 100% of the projected merger savings through their base rates. The merger surcredits
19 cannot be considered on a standalone basis, but must be considered in conjunction with
20 the related base rate recoveries. In the Companies' next base rate cases, the Commission
21 should and likely will discontinue both the Companies' recoveries at 100% and the
22 merger surcredit for the 50%. The Commission should and likely will reset base rates

1 based on actual costs and with no adjustments for projected merger savings that now are
2 more than ten years old. In that manner, only actually achieved merger savings, if any,
3 will be reflected in the base revenue requirement going forward.
4
5

6 **III. THE COMPANIES ARE NOT ENTITLED TO RATE INCREASES FOR**
7 **INCREASES IN COSTS NOT RELATED TO THE MERGER**
8

9 **Q. Please describe the Companies' rationale for discontinuing the merger surcredits.**
10

11 A. The Companies' witness Mr. Lonnie Bellar cites several reasons for discontinuing the
12 merger surcredits now instead of waiting until the effective date of new base rates
13 resulting from the Companies' next base rate proceedings. First, Mr. Bellar asserts that
14 the merger surcredits have accomplished their purpose and run their course. (Bellar
15 Direct at 8). Second, Mr. Bellar argues that the Companies are in an underearning
16 situation and that, "under these circumstances, customers are in effect receiving 100% of
17 the merger benefits." (Bellar Direct at 5). In addition, the Companies "will no longer
18 make the pro forma adjustment to net operating income that has provided shareholder
19 savings in the past" when it files its next base rate applications. (Bellar Direct at 5).
20 Third, Mr. Bellar cites several "practical and analytical difficulties." Bellar Direct at 6).
21

1 **Q. Please respond to the Companies' claim that the merger surcredits have**
2 **accomplished their purpose and run their course.**

3
4 A. I agree that the merger surcredits have accomplished their purpose, but they have not run
5 their course until base rates are reset in the next base rate proceedings sometime after
6 June 30, 2008. It is this interim period after June 30, 2008 until base rates are reset that
7 is at issue and over which the Companies and KIUC disagree. The Commission has
8 been careful to balance the interests of the Companies and their ratepayers by
9 synchronizing these interests through base rates and the merger surcredits since the
10 inception of the merger surcredits ten years ago. The merger surcredits have not run
11 their course as of June 30, 2008 or any other date unless and until base rates are reduced
12 or the base revenue requirement is reduced to remove from the Companies' base
13 revenue requirement 100% of the net projected merger savings. It would be inequitable
14 and unreasonable for the Commission to require ratepayers to continue to provide the
15 Companies base rate recoveries of 100% of the merger savings while discontinuing the
16 related 50% ratepayers' share of those savings through the merger surcredits.

17
18 **Q. Please respond to the Companies claim that the Companies are in an underearning**
19 **situation and that, "under these circumstances, customers are in effect receiving**
20 **100% of the merger benefits." (Bellar Direct at 5).**

21

1 A. Customers are not “in effect receiving 100% of the merger benefits” regardless of the
2 veracity or relevance of the claim that the Companies are in an underearning situation
3 resulting from insufficient base rate revenues compared to base rate costs. The
4 Companies’ claims rest solely on the incorrect and false assumption that the merger
5 surcredits caused the underearnings on the margin, not the increase in other non-merger
6 related base rate costs, and the related assumption that they are entitled to the rate
7 increases resulting from discontinuing the merger surcredits to recover their alleged
8 underearnings.

9
10 Contrary to the Companies’ claim, there has been no change in either the merger
11 surcredit revenues or the Companies’ share of the merger savings used to increase their
12 operating expenses from the annualized amounts included in present base rates
13 compared to the 2007 test year analyses provided by the Companies in response to Staff
14 discovery (response to Staff 1-1). For that reason alone, the alleged underearnings in the
15 2007 test year could not have been and were not caused by the merger surcredits. To
16 illustrate the fact that the merger surcredits are not the cause of the Companies’ alleged
17 underearnings, I have prepared the following two tables, one for each Company. In
18 these tables, I compare the non-merger related revenues and expenses, merger-related
19 revenues and expenses, return requirements and revenue requirements amounts
20 authorized by the Commission in Case Nos. 2003-00433 and 2003-00434 to the
21 amounts quantified by the Companies for a 2007 test year in response to Staff discovery
22 in this proceeding. The tables clearly demonstrate that the Companies’ alleged

1 underearnings are the result of increased non-merger related costs in 2007 compared to
2 the September 2003 test year used to set present base rates and not the result of changes
3 in either the merger surcredits or the adjustments to increase expenses for the
4 Companies' share of the merger savings.

5

**Louisville Gas & Electric Company - Electric
Comparison of Merger Surcredit Revenues and Expenses
Company Filing in Case No. 2007-00562 vs. Order in Case No. 2003-00433**

	Case No. <u>2003-00433</u>	Case No. <u>2007-00562 ⁽¹⁾</u>	<u>Variance</u>
Total Adjusted Non-Fuel Revenue	746,242,487	889,282,285	143,039,798
Merger Surcredit Revenue	<u>(19,427,402)</u>	<u>(19,427,402)</u>	-
Net Revenue With Merger Surcredit Revenue	726,815,085	869,854,883	143,039,798
Adj Non-Fuel Operating Expenses Excl Merger Savings Adj	633,575,350	722,929,466	89,354,116
Merger Savings Adjustment	<u>19,427,402</u>	<u>19,427,402</u>	-
Net Operating Expenses With Merger Surcredit Exp. Adj.	653,002,752	742,356,868	89,354,116
Net Operating Income With Merger Surcredit Rev and Savings Adj	<u>73,812,333</u>	<u>127,498,015</u>	<u>53,685,682</u>
Gross Up Factor	<u>0.5923655</u>	<u>0.62159671</u>	<u>0.0292312</u>
Grossed Up Net Operating Income	124,606,063	205,113,722	80,507,659
Return Requirement - Using 10.5% ROE	<u>170,214,428</u>	<u>226,334,404</u>	<u>56,119,976</u>
Revenue Deficiency/(Surplus)	<u>45,608,365</u>	<u>21,220,681</u>	<u>(24,387,683)</u>

6

⁽¹⁾ Source: Company's Response to Question 1(a) of Commission Staff's First Data Request

7

Kentucky Utilities Company
Comparison of Merger Surcredit Revenues and Expenses
Company Filing in Case No. 2007-00563 vs. Order in Case No. 2003-00434

	Case No. 2003-00434	Case No. 2007-00563 ⁽¹⁾	Variance
Total Adjusted Non-Fuel Revenue	729,345,113	948,130,250	218,785,137
Merger Surcredit Revenue	(18,968,825)	(18,968,825)	-
Net Revenue With Merger Surcredit Revenue	710,376,288	929,161,425	218,785,137
Adj Non-Fuel Operating Expenses Excl Merger Savings Adj	630,175,940	784,896,785	154,720,845
Merger Savings Adjustment	18,968,825	18,968,825	-
Net Operating Expenses With Merger Surcredit Exp. Adj	649,144,765	803,865,610	154,720,845
Net Operating Income With Merger Surcredit Rev and Savings Adj	61,231,523	125,295,815	64,064,292
Gross Up Factor	0.5939161	0.6215735	0.0276574
Grossed Up Net Operating Income	103,097,934	201,578,438	98,480,503
Return Requirement - Using 10.5% ROE	152,873,263	232,505,647	79,632,385
Revenue Deficiency/(Surplus)	49,775,329	30,927,209	(18,848,119)

⁽¹⁾ Source: Company's Response to Question 1(a) of Commission Staff's First Data Request

In addition, even if the amounts related to the merger savings had not been the same between the amounts included in present base rates and the 2007 test year analyses provided by the Companies in response to Staff discovery, it is a logical fallacy to assert that changes in a single cost on the margin caused the revenue deficiencies. All increases in costs, net of increases in revenues, cause the alleged revenue deficiencies.

Q. The Companies quantified their alleged underearnings using a 2007 test year in response to Staff 1-1. Should the Commission consider the alleged underearnings in this proceeding?

A. No. As a foundational matter, the Commission determined in Case No. 97-300 that it would not consider earnings levels in establishing the merger surcredits despite evidence presented by KIUC that the Companies both were substantially overearning. Thus,
J. Kennedy and Associates, Inc.

1 equity and consistency in regulatory policy would dictate that the Commission also
2 reject attempts by the Companies in this proceeding to interject alleged underearnings
3 into the determination of whether to continue the merger surcredits.

4
5 **Q. If the Commission does consider the alleged underearnings, have the Companies**
6 **correctly quantified their base revenue deficiencies?**

7
8
9 A. No. The Companies' analyses are flawed. If the Commission does consider the
10 Companies' alleged underearnings, then it should adjust the base revenue requirements
11 and claimed deficiencies to remove all merger-related revenues and expenses, which is
12 consistent with the termination of the merger surcredit and is consistent with the
13 Companies' intent in their next base rate filings. Mr. Bellar stated in his Direct
14 Testimony that "when LG&E [KU] files its next application for a change in base rates, it
15 will no longer make the pro forma adjustment to net operating income that has provided
16 shareholder savings in the past and will make a pro forma adjustment to remove any
17 surcredit payments made in the test year." (Bellar Direct at 5).

18
19 The Companies have included the annualized surcredit amounts in their 2007 test year
20 revenue requirement computations, yet their proposal is that the surcredit be terminated.
21 How can the merger surcredits be terminated and yet be reflected at the full annualized
22 amount in the base revenue requirement? In addition, the Companies have included

1 their 50% share of the merger savings as proforma increases to expense. Why should
2 their 50% share of the merger savings be included as an expense in their base revenue
3 requirements if the ratepayers' 50% share of the merger savings is terminated?
4

5 **Q. What effect do these two errors in the Companies' 2007 test year analyses have on**
6 **their alleged base revenue deficiencies?**

7
8 A. The effect of these two errors is to increase their base revenue deficiencies by the 100%
9 of the merger savings included in their base revenue requirements. For LGE, these
10 errors increase its base revenue deficiency by \$38.855 million. For KU, these errors
11 increase its base revenue deficiency by \$37.938. These amounts are comprised of the
12 merger surcredits (negative revenues) of \$19.427 million for LGE and \$18.969 million
13 for KU plus the proforma adjustments to expense for the Companies' 50% share of the
14 merger savings of \$19.427 million for LGE and \$19.969 million for KU.
15

16 **Q. If the Commission considers the Companies' alleged underearnings in this**
17 **proceeding, how should that impact the merger surcredit amounts if they are**
18 **continued beyond June 30, 2008?**

19
20 A. The LGE merger surcredit should continue at the full \$19.427 million amount. If the
21 LGE 2007 test year analysis is corrected to remove the \$38.855 million merger-related
22 revenue requirement included in error, then the revenue deficiency instead is a revenue

1 surplus of \$25.228 million at a 10.0% return on equity. Thus, if the Commission
2 considers the Companies' alleged underearnings and the merger surcredit is
3 discontinued on June 30, 2008, then base rates should be reduced by \$25.288 million if
4 the goal is to bring LGE to the low end of the range of returns on common equity set
5 forth by the Companies in their analyses, all else equal. However, given that the
6 Commission cannot reduce base rates in this proceeding, the Commission should
7 compare the \$25.288 million revenue surplus to the \$19.427 million merger surcredit
8 amount. Based on that comparison, the LGE merger surcredit should continue at the full
9 \$19.427 million amount.

10
11 The KU merger surcredit should continue at a reduced amount of \$14.801 million, the
12 amount of the revenue surplus after the Companies' KU analysis is corrected. If the KU
13 2007 test year analysis is corrected to remove the \$37.938 million merger-related
14 revenue requirement included in error, then the revenue deficiency instead is a revenue
15 surplus of \$14.801 million at a 10.0% return on equity. Thus, if the Commission
16 considers the Companies' alleged underearnings and the merger surcredit is
17 discontinued on June 30, 2008, then base rates should be reduced by \$14.801 million if
18 the goal is to bring KU up to the low end of the range of returns on common equity set
19 forth by the Companies in their analyses, all else equal. However, given that the
20 Commission cannot reduce base rates in this proceeding, the Commission should
21 compare the \$14.801 million revenue surplus to the \$18.969 million merger surcredit

1 amount. Based on that comparison, the KU merger surcredit should continue at a
2 reduced amount of \$14.801 million, the amount of the revenue surplus.

3
4 **Q. Should the Commission be concerned at all in this proceeding about the LGE**
5 **alleged underearnings on its gas operations?**

6
7 A. No. The Commission noted in its Order in Case No. 97-300 that none of the merger
8 savings were related to the LGE gas operations. Accordingly, none of the merger
9 savings were allocated to the LGE gas operations and there were no gas merger
10 surcredits.

11
12 **Q. Mr. Bellar claims that discontinuing the merger surcredits after June 30, 2008**
13 **provides a “defined limit to the negative implications of regulatory lag on**
14 **shareholders.” (Bellar at 5). Please respond.**

15
16 A. This conclusion is an outgrowth of the incorrect and false assumptions that the
17 ratepayers are receiving 100% of the merger savings benefits in the absence of base rate
18 increases in a situation of alleged underearnings. The statutory remedy for alleged
19 underearnings and regulatory lag is to file for base rate increases. The Companies may
20 do so at any time. The timing of such filings is within their discretion. In a base rate
21 proceeding, the Commission and all parties can examine and test the Companies’
22 alleged base revenue deficiency claims through discovery, analyses, testimonies, hearing

1 and briefing, a process that is subject to a six-month statutory time period and affords all
2 parties due process. The Commission should not base its decision in this proceeding on
3 alleged revenue deficiencies that cannot be reasonably investigated within the scope of
4 this proceeding.

5
6 **Q. Have you been able to determine the validity of the Companies' alleged**
7 **underearnings other than the effects of the two errors you previously addressed?**

8
9 A. No. There has been no base rate filing by the Companies, which would include the
10 detailed schedules in support of their ratemaking adjustments, no testimony regarding
11 the revenue requirement computations, no discovery on the historic test year per books
12 amounts or on the proforma ratemaking adjustments, and no realistic opportunity to
13 thoroughly review or rebut the Companies' analyses. In short, the Companies' proposal
14 amounts to a circumvention of the statutory ratemaking process required to obtain base
15 rate increases.

16
17 **Q. The Companies now claim in response to Staff discovery, Staff 1-1(b), that they**
18 **have not filed base rate increases because they relied on the assumption that the**
19 **Commission would discontinue the merger surcredits after June 30, 2008. Please**
20 **respond to this claim.**

1 A. This is an obviously self-serving claim and other parties could argue the exact opposite,
2 that they relied on the assumption that the Commission would continue the merger
3 surcredits. Even if the Companies' claim is true, the Commission should not base its
4 decision in this proceeding on the alleged expectations of the Companies, but rather on
5 whether continuing the merger surcredits is just and reasonable. Self-serving
6 assumptions and expectations are not an appropriate substitute for or supplement to the
7 application of regulatory principles consistent with the statutory process for obtaining
8 base rate increases. If the Companies believe they need and can support base rate
9 increases, then they should file for those increases and the Commission can decide the
10 merits of their cases in a proper manner.

11
12 **Q. Please respond to the Companies' claim that there are several "practical and**
13 **analytical difficulties" in continuing the merger surcredits.**

14
15 A. None of the three "practical and analytical difficulties" cited by Mr. Bellar are valid
16 reasons to discontinue the merger surcredits. The "first significant difficulty" cited by
17 Mr. Bellar is that "there simply are no reasonable data to support continuing the
18 surcredit." Contrary to the Companies' claim that this is a "difficulty," it is not a valid
19 reason to discontinue the merger surcredits in the absence of a contemporaneous
20 reduction in base rates, which is the Companies' proposal. However, it does constitute a
21 valid reason to remove all the effects of the merger savings from base rates when they

1 are reset in the Companies' next base rate proceedings and to discontinue the merger
2 surcredits at the same time, which is the KIUC proposal.

3
4 The second "difficulty" cited by Mr. Bellar is that the surcredit levels were "adjusted to
5 reflect certain large lump-sum payments LG&E [KU] made to several industrial
6 customers." This is a factual observation, not a "difficulty," and certainly is not a valid
7 reason to discontinue the merger surcredits. The Settlement attached to the
8 Commission's Orders in Case Nos. 2002-00429 and 2002-00430 provides the relevant
9 information necessary to determine the merger surcredits that should be in effect after
10 June 30, 2008 for all ratepayers (including those who took the lump-sum payout) given
11 that the amortization of the lump-sum payments will be completed on that date. I
12 describe this in more detail in the final section of my testimony.

13
14 The third "difficulty" cited by Mr. Bellar is that the "existing surcredit amounts are the
15 product of negotiations and unanimous settlement and not the function of any particular
16 economic analysis." This is another factual observation, not a "difficulty," and certainly
17 is not a valid reason to discontinue the merger surcredits. This fact has been true since
18 the settlement five years ago in Case Nos. 2002-00429 and 2002-00430. This fact was
19 not a "difficulty" in continuing the merger surcredits for the last five years and will not
20 become a "difficulty" for the first time on July 1, 2008 in continuing the merger
21 surcredits until base rates are reset and the merger-related revenues and expense
22 adjustments are removed.

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Another consideration for the Commission is that this alleged “difficulty” also is embedded in the Companies’ present base rates. To the extent the “difficulty” exists, then it also exists with respect to continuation of the recovery and retention of the projected merger savings through the Companies’ base rates. The amounts in the merger surcredits and the amounts recovered and retained by the Companies in their base rates are based on the same quantifications and both “are the product of negotiations and unanimous settlement and not the function of any particular economic analysis.” In other words, if this “difficulty” is sufficient reason to discontinue the merger surcredits after June 30, 2008, then it also is sufficient reason to reduce the Companies’ base rates by \$38.855 million (LGE) and \$37.938 million (KU) at the same time. Conversely, if it is not sufficient reason to reduce the Companies’ base rates by these amounts on July 1, 2008, then it is not sufficient reason to discontinue the merger surcredits on that date.

1 **IV. ADJUSTMENTS ARE NECESSARY TO THE MERGER SURCREDITS FOR**
2 **THE AMORTIZATION OF THE ONE-TIME LUMP SUM PAYMENTS**

3
4 **Q. Please describe the effect on the merger surcredits of the lump-sum payments**
5 **received by certain large customers as the result of the Settlement approved by the**
6 **Commission in Case Nos. 2002-00429 and 2002-00430.**

7
8 A. The Commission approved a Settlement in which certain large customers elected to
9 receive their shares of the merger surcredits through June 30, 2008 on a one-time lump
10 sum basis. The nominal value of their shares was computed on a discounted basis using
11 a 10% discount factor and was further reduced to reflect a \$300,000 contribution to all
12 other ratepayers as specified and quantified in the Settlement. The annual gross merger
13 surcredit amounts were reduced for these lump-sum payments, with the remaining net
14 merger surcredit amounts available to all ratepayers other than those who took the lump-
15 sum payments.

16
17 **Q. How were the lump-sum payments accounted for by the Companies?**

18
19 A. The Settlement specified the accounting treatment. The Companies were allowed to
20 defer the lump-sum amounts as regulatory assets (deferred debits) and to amortize the
21 amounts to revenues (negative revenues similar to the negative revenues for the merger

1 surcredit amounts) over the five year period commencing July 1, 2003.¹ The sum of the
2 merger surcredits and the amortization of the deferred debits as a reduction to revenues
3 equals the gross amounts of the merger savings provided to the Companies' ratepayers.
4 The amortization will be completed on June 30, 2008.

5
6 **Q. How were the lump-sum payments and merger surcredits reflected in the**
7 **Companies' annual ESM filings?**

8
9 A. The Settlement specified that the revenues used for ESM purposes reflect both the
10 amortization of the lump sum payments and the merger surcredit amounts so that the
11 entirety of the 50% sharing to ratepayers would be used to increase the base revenue
12 requirement. Section 3.1.1.5 of the Settlement states the following:

13 **Operating revenues included in the annual calculation of the Earnings**
14 **Sharing Mechanism filings will be proformed to reflect a debit equal to the**
15 **customers' fifty-percent share of the savings recognized for that year and**
16 **the amortized amounts provided for in Section 2.1 in lieu of the actual MSR**
17 **revenue surcredit.**
18
19

20 **Q. What is the significance of the fact that the lump-sum payments were based on the**
21 **merger surcredit amounts for the certain large customers only through June 30,**
22 **2008?**
23

¹The deferred debits were amortized by crediting deferred debits and debiting revenues.

1 A. The merger surcredits after June 30, 2008 will not equal the ratepayers' 50% share of the
2 merger savings unless they are increased to the gross annual levels before reduction for
3 the effects of the lump-sum payments. The failure to make these adjustments to the
4 merger surcredit amounts will allow the Companies to retain the annual effects of these
5 lump-sum payments and to exclude the large customers from any merger savings
6 benefits going forward. This is inequitable.

7

8 **Q. Why is this inequitable?**

9

10 A. It is inequitable for at least three reasons. First, the lump-sum payments were based on a
11 limited time period of five years, which ends June 30, 2008. This fact was explicitly
12 addressed in the Settlement. In addition, the amortization of the deferred debits related
13 to the lump-sum payments both for accounting and ESM ratemaking purposes was based
14 on that same limited time period of five years, which ends June 30, 2008.

15

16 Second, the large customers who elected the lump-sum payments will be unfairly
17 penalized if they are excluded from the merger surcredits beginning July 1, 2008..

18 These same large customers will continue to pay through base rates for 100% of the
19 merger savings, the same as all other customers. Thus, it would be inappropriate and
20 discriminatory to exclude these large customers from their directly related share of the
21 merger savings through the merger surcredits. To avoid this undue discrimination, the
22 dollar amount of the merger surcredits should be increased as I subsequently discuss to

1 reflect the full amortization of the lump sum payout and to ensure that all ratepayers
2 receive the merger surcredit from July 1, 2008 until the effective date of new base rates.

3
4 Third, the amounts of the merger savings that otherwise would be provided through the
5 merger surcredits to these large customers if the merger surcredits are continued will be
6 retained entirely by the Companies. Other ratepayers will not receive these savings.
7 Thus, the treatment of these large customers will result in windfall rate increases to the
8 Companies, but only from selected ratepayers. Clearly, this is inappropriate and
9 discriminatory.

10
11 **Q. How should the surcredit amounts be adjusted after June 30, 2008?**

12
13 A. The LGE surcredit amounts should be increased by the annual amortization of \$1.382
14 million to \$19.427 million as detailed in Section 3.1.1.6 of the Settlement in Case Nos.
15 2002-00429 and 2002-00430. The KU surcredit amounts should be increased by the
16 annual amortization of \$1.070 million to \$18.969 million as detailed in Section 3.2.1.6
17 of the Settlement in Case Nos. 2002-00429 and 2002-00430. These adjusted annual
18 surcredit amounts are equivalent to the adjustments to the Companies' operating
19 expenses for their 50% shares of the merger savings amount, as they should be. Thus,
20 the adjusted surcredit amounts and the Companies' expense adjustments will remain
21 synchronized as they have been for the last ten years.

1 Q. Does this complete your testimony?

2

3 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE)
FUTURE DISPOSITION OF THE) **CASE NO. 2007-00562**
MERGER SURCREDIT MECHANISM)

IN THE MATTER OF:

THE PLAN OF KENTUCKY UTILITIES)
COMPANY FOR THE FUTURE)
DISPOSITION OF THE MERGER) **CASE NO. 2007-00563**
SURCREDIT MECHANISM)

EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

April 2008

EXHIBIT __ (LK-1)

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

Luther Rice University, MA

PROFESSIONAL CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Institute of Management Accountants

More than thirty years of utility industry experience in the financial, rate, tax, and planning areas. Specialization in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisition and diversification. Expertise in proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

RESUME OF LANE KOLLEN, VICE PRESIDENT

EXPERIENCE

1986 to

Present:

J. Kennedy and Associates, Inc.: Vice President and Principal. Responsible for utility stranded cost analysis, revenue requirements analysis, cash flow projections and solvency, financial and cash effects of traditional and nontraditional ratemaking, and research, speaking and writing on the effects of tax law changes. Testimony before Connecticut, Florida, Georgia, Indiana, Louisiana, Kentucky, Maine, Maryland, Minnesota, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, West Virginia and Wisconsin state regulatory commissions and the Federal Energy Regulatory Commission.

1983 to

1986:

Energy Management Associates: Lead Consultant.

Consulting in the areas of strategic and financial planning, traditional and nontraditional ratemaking, rate case support and testimony, diversification and generation expansion planning. Directed consulting and software development projects utilizing PROSCREEN II and ACUMEN proprietary software products. Utilized ACUMEN detailed corporate simulation system, PROSCREEN II strategic planning system and other custom developed software to support utility rate case filings including test year revenue requirements, rate base, operating income and pro-forma adjustments. Also utilized these software products for revenue simulation, budget preparation and cost-of-service analyses.

1976 to

1983:

The Toledo Edison Company: Planning Supervisor.

Responsible for financial planning activities including generation expansion planning, capital and expense budgeting, evaluation of tax law changes, rate case strategy and support and computerized financial modeling using proprietary and nonproprietary software products. Directed the modeling and evaluation of planning alternatives including:

Rate phase-ins.

Construction project cancellations and write-offs.

Construction project delays.

Capacity swaps.

Financing alternatives.

Competitive pricing for off-system sales.

Sale/leasebacks.

RESUME OF LANE KOLLEN, VICE PRESIDENT

CLIENTS SERVED

Industrial Companies and Groups

Air Products and Chemicals, Inc.	Lehigh Valley Power Committee
Airco Industrial Gases	Maryland Industrial Group
Alcan Aluminum	Multiple Intervenors (New York)
Armco Advanced Materials Co.	National Southwire
Armco Steel	North Carolina Industrial
Bethlehem Steel	Energy Consumers
Connecticut Industrial Energy Consumers	Occidental Chemical Corporation
ELCON	Ohio Energy Group
Enron Gas Pipeline Company	Ohio Industrial Energy Consumers
Florida Industrial Power Users Group	Ohio Manufacturers Association
Gallatin Steel	Philadelphia Area Industrial Energy
General Electric Company	Users Group
GPU Industrial Intervenors	PSI Industrial Group
Indiana Industrial Group	Smith Cogeneration
Industrial Consumers for	Taconite Intervenors (Minnesota)
Fair Utility Rates - Indiana	West Penn Power Industrial Intervenors
Industrial Energy Consumers - Ohio	West Virginia Energy Users Group
Kentucky Industrial Utility Customers, Inc.	Westvaco Corporation
Kimberly-Clark Company	

Regulatory Commissions and Government Agencies

Cities in Texas-New Mexico Power Company's Service Territory
Cities in AEP Texas Central Company's Service Territory
Cities in AEP Texas North Company's Service Territory
Georgia Public Service Commission Staff
Kentucky Attorney General's Office, Division of Consumer Protection
Louisiana Public Service Commission Staff
Maine Office of Public Advocate
New York State Energy Office
Office of Public Utility Counsel (Texas)

RESUME OF LANE KOLLEN, VICE PRESIDENT

Utilities

Allegheny Power System
Atlantic City Electric Company
Carolina Power & Light Company
Cleveland Electric Illuminating Company
Delmarva Power & Light Company
Duquesne Light Company
General Public Utilities
Georgia Power Company
Middle South Services
Nevada Power Company
Niagara Mohawk Power Corporation

Otter Tail Power Company
Pacific Gas & Electric Company
Public Service Electric & Gas
Public Service of Oklahoma
Rochester Gas and Electric
Savannah Electric & Power Company
Seminole Electric Cooperative
Southern California Edison
Talquin Electric Cooperative
Tampa Electric
Texas Utilities
Toledo Edison Company

**Expert Testimony Appearances
of
Lane Kollen
As of March 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
10/86	U-17282 Interim	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
11/86	U-17282 Interim Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
12/86	9613	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Revenue requirements accounting adjustments financial workout plan.
1/87	U-17282 Interim	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements, financial solvency.
3/87	General Order 236	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Tax Reform Act of 1986.
4/87	U-17282 Prudence	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
4/87	M-100 Sub 113	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Tax Reform Act of 1986.
5/87	86-524-E-	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements. Tax Reform Act of 1986.
5/87	U-17282 Case In Chief	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Case In Chief Surrebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Prudence Surrebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.

**Expert Testimony Appearances
of
Lane Kollen
As of March 2008**

Date	Case	Jurisdiction	Party	Utility	Subject
8/87	9885	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Financial workout plan.
8/87	E-015/GR- 87-223	MN	Taconite Intervenors	Minnesota Power & Light Co.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
10/87	870220-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
11/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Tax Reform Act of 1986.
1/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, rate of return.
2/88	9934	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Economics of Trimble County completion.
2/88	10064	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, O&M expense, capital structure, excess deferred income taxes.
5/88	10217	KY	Alcan Aluminum National Southwire	Big Rivers Electric Corp.	Financial workout plan. Corp.
5/88	M-87017 -1C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery.
5/88	M-87017 -2C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery.
6/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.
7/88	M-87017- -1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92

**Expert Testimony Appearances
of
Lane Kollen
As of March 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
7/88	M-87017- -2C005 Rebuttal	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery, SFAS No. 92
9/88	88-05-25	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Excess deferred taxes, O&M expenses.
9/88	10064 Rehearing	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Premature retirements, interest expense.
10/88	88-170- EL-AIR	OH	Ohio Industrial Energy Consumers	Cleveland Electric Illuminating Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	88-171- EL-AIR	OH	Ohio Industrial Energy Consumers	Toledo Edison Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	8800 355-EI	FL	Florida Industrial Power Users' Group	Florida Power & Light Co.	Tax Reform Act of 1986, tax expenses, O&M expenses, pension expense (SFAS No. 87).
10/88	3780-U	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Co.	Pension expense (SFAS No. 87).
11/88	U-17282 Remand	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Rate base exclusion plan (SFAS No. 71)
12/88	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87).
12/88	U-17949 Rebuttal	LA	Louisiana Public Service Commission Staff	South Central Bell	Compensated absences (SFAS No. 43), pension expense (SFAS No. 87), Part 32, income tax normalization.
2/89	U-17282 Phase II	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, phase-in of River Bend 1, recovery of canceled plant.

**Expert Testimony Appearances
of
Lane Kollen
As of March 2008**

Date	Case	Jurisdiction	Party	Utility	Subject
6/89	881602-EU 890326-EU	FL	Talquin Electric Cooperative	Talquin/City of Tallahassee	Economic analyses, incremental cost-of-service, average customer rates.
7/89	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87), compensated absences (SFAS No. 43), Part 32.
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cancellation cost recovery, tax expense, revenue requirements.
8/89	3840-U	GA	Georgia Public Service Commission Staff	Georgia Power Co.	Promotional practices, advertising, economic development.
9/89	U-17282 Phase II Detailed	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
10/89	8880	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Deferred accounting treatment, sale/leaseback.
10/89	8928	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Revenue requirements, imputed capital structure, cash working capital.
10/89	R-891364	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements.
11/89 12/89	R-891364 Surrebuttal (2 Filings)	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements, sale/leaseback.
1/90	U-17282 Phase II Detailed Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements detailed investigation.
1/90	U-17282 Phase III	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in of River Bend 1, deregulated asset plan.
3/90	890319-EI	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.

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Date	Case	Jurisdic	Party	Utility	Subject
4/90	890319-EI Rebuttal	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	U-17282	LA 19 th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Fuel clause, gain on sale of utility assets.
9/90	90-158	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, post-test year additions, forecasted test year.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements.
3/91	29327, et. al.	NY	Multiple Intervenors	Niagara Mohawk Power Corp.	Incentive regulation.
5/91	9945	TX	Office of Public Utility Counsel of Texas	El Paso Electric Co.	Financial modeling, economic analyses, prudence of Palo Verde 3.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Recovery of CAAA costs, least cost financing.
9/91	91-231 -E-NC	WV	West Virginia Energy Users Group	Monongahela Power Co.	Recovery of CAAA costs, least cost financing.
11/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Asset impairment, deregulated asset plan, revenue require- ments.
12/91	91-410- EL-AIR	OH	Air Products and Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
12/91	10200	TX	Office of Public Utility Counsel of Texas	Texas-New Mexico Power Co.	Financial integrity, strategic planning, declined business affiliations.

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Date	Case	Jurisdct.	Party	Utility	Subject
5/92	910890-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, pension expense, OPEB expense, fossil dismantling, nuclear decommissioning.
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
9/92	92-043	KY	Kentucky Industrial Utility Consumers	Generic Proceeding	OPEB expense.
9/92	920324-EI	FL	Florida Industrial Power Users' Group	Tampa Electric Co.	OPEB expense.
9/92	39348	IN	Indiana Industrial Group	Generic Proceeding	OPEB expense.
9/92	910840-PU	FL	Florida Industrial Power Users' Group	Generic Proceeding	OPEB expense.
9/92	39314	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	OPEB expense.
11/92	U-19904	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
11/92	8649	MD	Westvaco Corp., Eastalco Aluminum Co.	Potomac Edison Co.	OPEB expense.
11/92	92-1715-AU-COI	OH	Ohio Manufacturers Association	Generic Proceeding	OPEB expense.
12/92	R-00922378	PA	Armco Advanced Materials Co., The WPP Industrial Intervenors	West Penn Power Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
12/92	U-19949	LA	Louisiana Public Service Commission Staff	South Central Bell	Affiliate transactions, cost allocations, merger.

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Date	Case	Jurisdct.	Party	Utility	Subject
12/92	R-00922479	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	OPEB expense.
1/93	8487	MD	Maryland Industrial Group	Baltimore Gas & Electric Co., Bethlehem Steel Corp.	OPEB expense, deferred fuel, CWIP in rate base
1/93	39498	IN	PSI Industrial Group	PSI Energy, Inc.	Refunds due to over-collection of taxes on Marble Hill cancellation.
3/93	92-11-11	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	OPEB expense.
3/93	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
3/93	93-01 EL-EFC	OH	Ohio Industrial Energy Consumers	Ohio Power Co.	Affiliate transactions, fuel.
3/93	EC92-21000 ER92-806-000	FERC	Louisiana Public Service Commission	Gulf States Utilities/Entergy Corp.	Merger.
4/93	92-1464- EL-AIR	OH	Air Products Armco Steel Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
4/93	EC92-21000 ER92-806-000 (Rebuttal)	FERC	Louisiana Public Service Commission	Gulf States Utilities/Entergy Corp.	Merger.
9/93	93-113	KY	Kentucky Industrial Utility Customers	Kentucky Utilities	Fuel clause and coal contract refund.
9/93	92-490, 92-490A, 90-360-C	KY	Kentucky Industrial Utility Customers and Kentucky Attorney General	Big Rivers Electric Corp.	Disallowances and restitution for excessive fuel costs, illegal and improper payments, recovery of mine closure costs.
10/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Revenue requirements, debt restructuring agreement, River Bend cost recovery.

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Date	Case	Jurisdct.	Party	Utility	Subject
1/94	U-20647	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Audit and investigation into fuel clause costs.
4/94	U-20647 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Nuclear and fossil unit performance, fuel costs, fuel clause principles and guidelines.
5/94	U-20178	LA	Louisiana Public Service Commission Staff	Louisiana Power & Light Co.	Planning and quantification issues of least cost integrated resource plan.
9/94	U-19904 Initial Post-Merger Earnings Review	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
9/94	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policies, exclusion of River Bend, other revenue requirement issues.
10/94	3905-U	GA	Georgia Public Service Commission Staff	Southern Bell Telephone Co.	Incentive rate plan, earnings review.
10/94	5258-U	GA	Georgia Public Service Commission Staff	Southern Bell Telephone Co.	Alternative regulation, cost allocation.
11/94	U-19904 Initial Post-Merger Earnings Review (Rebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
11/94	U-17735 (Rebuttal)	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, exclusion of River Bend, other revenue requirement issues.
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Revenue requirements. Fossil dismantling, nuclear decommissioning.

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Date	Case	Jurisdct.	Party	Utility	Subject
6/95	3905-U	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Incentive regulation, affiliate transactions, revenue requirements, rate refund.
6/95	U-19904 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
10/95	95-02614	TN	Tennessee Office of the Attorney General Consumer Advocate	BellSouth Telecommunications, Inc.	Affiliate transactions.
10/95	U-21485 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co. Division	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95	U-21485 (Supplemental Direct) 12/95 U-21485 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
1/96	95-299- EL-AIR 95-300- EL-AIR	OH	Industrial Energy Consumers	The Toledo Edison Co. The Cleveland Electric Illuminating Co.	Competition, asset writeoffs and revaluation, O&M expense, other revenue requirement issues.
2/96	PUC No. 14967	TX	Office of Public Utility Counsel	Central Power & Light	Nuclear decommissioning.
5/96	95-485-LCS	NM	City of Las Cruces	El Paso Electric Co.	Stranded cost recovery, municipalization.
7/96	8725	MD	The Maryland Industrial Group and Redland Genstar, Inc.	Baltimore Gas & Electric Co., Potomac Electric Power Co. and Constellation Energy Corp.	Merger savings, tracking mechanism, earnings sharing plan, revenue requirement issues.

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9/96 11/96	U-22092 U-22092 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues, allocation of regulated/nonregulated costs.
10/96	96-327	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Environmental surcharge recoverable costs.
2/97	R-00973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Stranded cost recovery, regulatory assets and liabilities, intangible transition charge, revenue requirements.
3/97	96-489	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental surcharge recoverable costs, system agreements, allowance inventory, jurisdictional allocation.
6/97	TO-97-397	MO	MCI Telecommunications Corp., Inc., MCImetro Access Transmission Services, Inc.	Southwestern Bell Telephone Co.	Price cap regulation, revenue requirements, rate of return.
6/97	R-00973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
7/97	R-00973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
7/97	U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Depreciation rates and methodologies, River Bend phase-in plan.
8/97	97-300	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co. and Kentucky Utilities Co.	Merger policy, cost savings, surcredit sharing mechanism, revenue requirements, rate of return.

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8/97	R-00973954 (Surrebuttal)	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
10/97	97-204	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness
10/97	R-974008	PA	Metropolitan Edison Industrial Users Group	Metropolitan Edison Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
10/97	R-974009	PA	Penelec Industrial Customer Alliance	Pennsylvania Electric Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
11/97	97-204 (Rebuttal)	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness of rates, cost allocation.
11/97	U-22491	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, other revenue requirement issues.
11/97	R-00973953 (Surrebuttal)	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
11/97	R-973981	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements, securitization.
11/97	R-974104	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements, securitization.

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Date	Case	Jurisdct.	Party	Utility	Subject
12/97	R-973981 (Surrebuttal)	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements.
12/97	R-974104 (Surrebuttal)	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements, securitization.
1/98	U-22491 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, other revenue requirement issues.
2/98	8774	MD	Westvaco	Potomac Edison Co.	Merger of Duquesne, AE, customer safeguards, savings sharing.
3/98	U-22092 (Allocated Stranded Cost Issues)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Restructuring, stranded costs, regulatory assets, securitization, regulatory mitigation.
3/98	8390-U	GA	Georgia Natural Gas Group, Georgia Textile Manufacturers Assoc.	Atlanta Gas Light Co.	Restructuring, unbundling, stranded costs, incentive regulation, revenue requirements.
3/98	U-22092 (Allocated Stranded Cost Issues) (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Restructuring, stranded costs, regulatory assets, securitization, regulatory mitigation.
10/98	97-596	ME	Maine Office of the Public Advocate	Bangor Hydro- Electric Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
10/98	9355-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Co.	Affiliate transactions.
10/98	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, other revenue requirement issues.

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Date	Case	Jurisdct.	Party	Utility	Subject
11/98	U-23327	LA	Louisiana Public Service Commission Staff	SWEPCO, CSW and AEP	Merger policy, savings sharing mechanism, affiliate transaction conditions.
12/98	U-23358 (Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
12/98	98-577	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
1/99	98-10-07	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, investment tax credits, accumulated deferred income taxes, excess deferred income taxes.
3/99	U-23358 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
3/99	98-474	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements, alternative forms of regulation.
3/99	98-426	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements, alternative forms of regulation.
3/99	99-082	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.
3/99	99-083	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
4/99	U-23358 (Supplemental Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
4/99	99-03-04	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Regulatory assets and liabilities, stranded costs, recovery mechanisms.
4/99	99-02-05	CT	Connecticut Industrial Utility Customers	Connecticut Light and Power Co.	Regulatory assets and liabilities stranded costs, recovery mechanisms.

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Date	Case	Jurisdct.	Party	Utility	Subject
5/99	98-426 99-082 (Additional Direct)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.
5/99	98-474 99-083 (Additional Direct)	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
5/99	98-426 98-474 (Response to Amended Applications)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co. and Kentucky Utilities Co.	Alternative regulation.
6/99	97-596	ME	Maine Office of Public Advocate	Bangor Hydro- Electric Co.	Request for accounting order regarding electric industry restructuring costs.
6/99	U-23358	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Affiliate transactions, cost allocations.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, regulatory assets, tax effects of asset divestiture.
7/99	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co., Central and South West Corp, and American Electric Power Co.	Merger Settlement and Stipulation.
7/99	97-596 (Surrebuttal)	ME	Maine Office of Public Advocate	Bangor Hydro- Electric Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
7/99	98-0452- E-GI	WV	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
8/99	98-577 (Surrebuttal)	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
8/99	98-426 99-082 (Rebuttal)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.

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Date	Case	Jurisdct.	Party	Utility	Subject
8/99	98-474 98-083 (Rebuttal)	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
8/99	98-0452- E-GI (Rebuttal)	WV	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
10/99	U-24182 (Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
11/99	21527	TX	Dallas-Ft.Worth Hospital Council and Coalition of Independent Colleges and Universities	TXU Electric	Restructuring, stranded costs, taxes, securitization.
11/99	U-23358 Surrebuttal Affiliate Transactions Review	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Service company affiliate transaction costs.
04/00	99-1212-EL-ETPOH 99-1213-EL-ATA 99-1214-EL-AAM		Greater Cleveland Growth Association	First Energy (Cleveland Electric Illuminating, Toledo Edison)	Historical review, stranded costs, regulatory assets, liabilities.
01/00	U-24182 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
05/00	2000-107	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	ECR surcharge roll-in to base rates.
05/00	U-24182 (Supplemental Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Affiliate expense proforma adjustments.
05/00	A-110550F0147	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy	Merger between PECO and Unicom.

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Date	Case	Jurisdct.	Party	Utility	Subject
07/00	22344	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges and Universities	Statewide Generic Proceeding	Escalation of O&M expenses for unbundled T&D revenue requirements in projected test year.
05/00	99-1658-EL-ETP	OH	AK Steel Corp.	Cincinnati Gas & Electric Co.	Regulatory transition costs, including regulatory assets and liabilities, SFAS 109, ADIT, EDIT, ITC.
07/00	U-21453	LA	Louisiana Public Service Commission	SWEPCO	Stranded costs, regulatory assets and liabilities.
08/00	U-24064	LA	Louisiana Public Service Commission Staff	CLECO	Affiliate transaction pricing ratemaking principles, subsidization of nonregulated affiliates, ratemaking adjustments.
10/00	PUC 22350 SOAH 473-00-1015	TX	The Dallas-Ft. Worth Hospital Council and The Coalition of Independent Colleges And Universities	TXU Electric Co.	Restructuring, T&D revenue requirements, mitigation, regulatory assets and liabilities.
10/00	R-00974104 (Affidavit)	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Final accounting for stranded costs, including treatment of auction proceeds, taxes, capital costs, switchback costs, and excess pension funding.
11/00	P-00001837 R-00974008 P-00001838 R-00974009	PA	Metropolitan Edison Industrial Users Group Penelec Industrial Customer Alliance	Metropolitan Edison Co. Pennsylvania Electric Co.	Final accounting for stranded costs, including treatment of auction proceeds, taxes, regulatory assets and liabilities, transaction costs.
12/00	U-21453, U-20925, U-22092 (Subdocket C) (Surrebuttal)	LA	Louisiana Public Service Commission Staff	SWEPCO	Stranded costs, regulatory assets.
01/01	U-24993 (Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.

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01/01	U-21453, U-20925, U-22092 (Subdocket B) (Surebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Industry restructuring, business separation plan, organization structure, hold harmless conditions, financing.
01/01	Case No. 2000-386	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Recovery of environmental costs, surcharge mechanism.
01/01	Case No. 2000-439	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Recovery of environmental costs, surcharge mechanism.
02/01	A-110300F0095 PA A-110400F0040		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	GPU, Inc. FirstEnergy Corp/	Merger, savings, reliability.
03/01	P-00001860 PA P-00001861	PA	Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	Metropolitan Edison Co. and Pennsylvania Electric Co.	Recovery of costs due to provider of fast resort obligation.
04 /01	U-21453, U-20925, U-22092 (Subdocket B) Settlement Term Sheet	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: settlement agreement on overall plan structure.
04 /01	U-21453, U-20925, U-22092 (Subdocket B) Contested Issues	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: agreements, hold harmless conditions, separations methodology.
05 /01	U-21453, U-20925, U-22092 (Subdocket B) Contested Issues Transmission and Distribution (Rebuttal)	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: agreements, hold harmless conditions, Separations methodology.

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Date	Case	Jurisdct.	Party	Utility	Subject
07/01	U-21453, U-20925, U-22092 (Subdocket B) Transmission and Distribution Term Sheet	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: settlement agreement on T&D issues, agreements necessary to implement T&D separations, hold harmless conditions, separations methodology.
10/01	14000-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Company	Revenue requirements, Rate Plan, fuel clause recovery.
11/01	14311-U (Direct)	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, revenue forecast, O&M expense, depreciation, plant additions, cash working capital.
11/01	U-25687 (Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, capital structure, allocation of regulated and nonregulated costs, River Bend uprate.
02/02	25230	TX	Dallas Ft.-Worth Hospital Council & the Coalition of Independent Colleges & Universities	TXU Electric	Stipulation. Regulatory assets, securitization financing.
02/02	U-25687 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
03/02	14311-U (Rebuttal)	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, earnings sharing plan, service quality standards.
03/02	001148-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Co.	Revenue requirements. Nuclear life extension, storm damage accruals and reserve, capital structure, O&M expense.
04/02	U-25687 (Supplemental Surrebuttal)	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
04/02	U-21453, U-20925 and U-22092 (Subdocket C)		Louisiana Public Service Commission Staff	SWEPSCO	Business separation plan, T&D Term Sheet, separations methodologies, hold harmless conditions.
08/02	EL01- 88-000	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and The Entergy Operating Companies	System Agreement, production cost equalization, tariffs.

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Date	Case	Jurisdiction	Party	Utility	Subject
08/02	U-25888	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc. and Entergy Louisiana, Inc.	System Agreement, production cost disparities, prudence.
09/02	2002-00224 2002-00225	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Line losses and fuel clause recovery associated with off-system sales.
11/02	2002-00146 2002-00147	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Environmental compliance costs and surcharge recovery.
01/03	2002-00169	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Power Co.	Environmental compliance costs and surcharge recovery.
04/03	2002-00429 2002-00430	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Extension of merger surcredit, flaws in Companies' studies.
04/03	U-26527	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, Capital structure, post test year Adjustments.
06/03	EL01-88-000 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
06/03	2003-00068	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Environmental cost recovery, correction of base rate error.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Unit power purchases and sale cost-based tariff pursuant to System Agreement.
11/03	ER03-583-000, FERC ER03-583-001, and ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001, and ER03-682-002 ER03-744-000, ER03-744-001 (Consolidated)	FERC	Louisiana Public Service Commission	Entergy Services, Inc., the Entergy Operating Companies, EWO Marketing, L.P, and Entergy Power, Inc.	Unit power purchase and sale agreements, contractual provisions, projected costs, levelized rates, and formula rates.

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of
Lane Kollen
As of March 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
12/03	U-26527 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, Capital structure, post test year adjustments.
12/03	2003-0334 2003-0335	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Earnings Sharing Mechanism.
12/03	U-27136	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	Purchased power contracts between affiliates, terms and conditions.
03/04	U-26527 Supplemental Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, capital structure, post test year adjustments.
03/04	2003-00433	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Revenue requirements, depreciation rates, O&M expense, deferrals and amortization, earnings sharing mechanism, merger surcredit, VDT surcredit.
03/04	2003-00434	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements, depreciation rates, O&M expense, deferrals and amortization, earnings sharing mechanism, merger surcredit, VDT surcredit.
03/04	SOAH Docket 473-04-2459, PUC Docket 29206	TX	Cities Served by Texas- New Mexico Power Co.	Texas-New Mexico Power Co.	Stranded costs true-up, including including valuation issues, ITC, ADIT, excess earnings.
05/04	04-169- EL-UNC	OH	Ohio Energy Group, Inc.	Columbus Southern Power Co. & Ohio Power Co.	Rate stabilization plan, deferrals, T&D rate increases, earnings.
06/04	SOAH Docket 473-04-4555 PUC Docket 29526	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric	Stranded costs true-up, including valuation issues, ITC, EDIT, excess mitigation credits, capacity auction true-up revenues, interest.
08/04	SOAH Docket 473-04-4556 PUC Docket 29526 (Suppl Direct)	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric	Interest on stranded cost pursuant to Texas Supreme Court remand.

**Expert Testimony Appearances
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Date	Case	Jurisdct.	Party	Utility	Subject
09/04	Docket No. U-23327 Subdocket B	LA	Louisiana Public Service Commission Staff	SWEPCO	Fuel and purchased power expenses recoverable through fuel adjustment clause, trading activities, compliance with terms of various LPSC Orders.
10/04	Docket No. U-23327 Subdocket A	LA	Louisiana Public Service Commission Staff	SWEPCO	Revenue requirements.
12/04	Case No. 2004-00321 Case No. 2004-00372	KY	Gallatin Steel Co.	East Kentucky Power Cooperative, Inc., Big Sandy Recc, etal.	Environmental cost recovery, qualified costs, TIER requirements, cost allocation.
01/05	30485	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric, LLC	Stranded cost true-up including regulatory Central Co. assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
02/05	18638-U	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements.
02/05	18638-U Panel with Tony Wackerly	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Comprehensive rate plan, pipeline replacement program surcharge, performance based rate plan.
02/05	18638-U Panel with Michelle Thebert	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Energy conservation, economic development, and tariff issues.
03/05	Case No. 2004-00426 Case No. 2004-00421	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric	Environmental cost recovery, Jobs Creation Act of 2004 and § 199 deduction, excess common equity ratio, deferral and amortization of nonrecurring O&M expense.
06/05	2005-00068	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental cost recovery, Jobs Creation Act of 2004 and §199 deduction, margins on allowances used for AEP system sales.
06/05	050045-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Co.	Storm damage expense and reserve, RTO costs, O&M expense projections, return on equity performance incentive, capital structure, selective second phase post-test year rate increase.

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Date	Case	Jurisdic.	Party	Utility	Subject
08/05	31056	TX	Alliance for Valley Healthcare	AEP Texas Central Co.	Stranded cost true-up including regulatory assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
09/05	20298-U	GA	Georgia Public Service Commission Adversary Staff	Atmos Energy Corp.	Revenue requirements, roll-in of surcharges, cost recovery through surcharge, reporting requirements.
09/05	20298-U Panel with Victoria Taylor	GA	Georgia Public Service Commission Adversary Staff	Atmos Energy Corp.	Affiliate transactions, cost allocations, capitalization, cost of debt.
10/05	04-42	DE	Delaware Public Service Commission Staff	Artesian Water Co.	Allocation of tax net operating losses between regulated and unregulated.
11/05	2005-00351 2005-00352	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas and Electric Co.	Workforce Separation Program cost recovery and shared savings through VDT surcredit.
01/06	2005-00341	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	System Sales Clause Rider, Environmental Cost Recovery Rider, Net Congestion Rider, Storm damage, vegetation management program, depreciation, off-system sales, maintenance normalization, pension and OPEB.
03/06 05/06	31994 31994 Supplemental	TX	Cities	Texas-New Mexico Power Co.	Stranded cost recovery through competition transition or change. Retrospective ADFIT, prospective ADFIT.
03/06	U-21453, U-20925, U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Jurisdictional separation plan.
3/06	NOPR Reg 104385-OR	IRS	Alliance for Valley Health Care and Houston Council for Health Education	AEP Texas Central Company and CenterPoint Energy Houston Electric	Proposed Regulations affecting flow- through to ratepayers of excess deferred income taxes and investment Tax credits on generation plant that is sold or deregulated.
4/06	U-25116	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	2002-2004 Audit of Fuel Adjustment Clause Filings. Affiliate transactions.

**Expert Testimony Appearances
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Date	Case	Jurisdict.	Party	Utility	Subject
07/06	R-00061366, Et. al	PA	Met-Ed Ind. Users Group Pennsylvania Ind. Customer Alliance	Metropolitan Edison Co. Pennsylvania Electric Co.	Recovery of NUG-related stranded costs, government mandated programs costs, storm damage costs.
07/06	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co.	Revenue requirements, formula rate plan, banking proposal.
08/06	U-21453, U-20925 U-22092 (Subdocket J)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Jurisdictional separation plan.
11/06	05CVH03-3375 Franklin County Court Affidavit	OH	Various Taxing Authorities (Non-Utility Proceeding)	State of Ohio Department of Revenue	Accounting for nuclear fuel assemblies as manufactured equipment and capitalized plant.
12/06	U-23327 Subdocket A Reply Testimony	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co..	Revenue requirements, formula rate plan, banking proposal.
03/07	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc., Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
03/07	33309	TX	Cities	AEP Texas Central Co.	Revenue requirements, including fractionalization of transmission and distribution costs.
03/07	33310	TX	Cities	AEP Texas North Co.	Revenue requirements, including fractionalization of transmission and distribution costs.
03/07	2006-00472	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative	Interim rate increase, RUS loan covenants, credit facility requirements, financial condition.
03/07	U-29157	LA	Louisiana Public Service Commission Staff	Cleco Power, LLC	Permanent (Phase II) storm damage cost recovery.
04/07	U-29764 Supplemental And Rebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc. Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.

**Expert Testimony Appearances
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Date	Case	Jurisdct.	Party	Utility	Subject
04/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and state income tax effects on equalization remedy receipts
04/07	ER07-684-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Fuel hedging costs and compliance with FERC USOA.
05/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and account 924 effects on MSS-3 equalization remedy payments and receipts.
06/07	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, LLC Entergy Gulf States, Inc.	Show cause for violating LPSC Order on fuel hedging costs.
07/07	2006-00472	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative	Revenue requirements, post test year adjustments, TIER, surcharge revenues and costs, financial need.
07/07	ER07-956-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Storm damage costs related to Hurricanes Katrina and Rita and effects of MSS-3 equalization payments and receipts.
10/07	05-UR-103 Direct	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	05-UR-103 Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	25060-U Direct	GA	Georgia Public Service Commission Public Interest Adversary Staff	Georgia Power Company	Affiliate costs, incentive compensation, consolidated income taxes, §199 deduction.

**Expert Testimony Appearances
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As of March 2008**

Date	Case	Jurisdic.	Party	Utility	Subject
11/07	06-0033-E-CN Direct	WV	West Virginia Energy Users Group	Appalachian Power Company	IGCC surcharge during construction period and post-in-service date.
11/07	ER07-682-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	ER07-682-000 Cross Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	07-551-EL-AIR Direct	OH	Ohio Energy Group, Inc.	Ohio Edison Company, Cleveland Electric Illuminating Company, Toledo Edison Company	Revenue Requirements.
02/08	ER07-956-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization of expenses in account 923; storm damage expense and accounts 924, 228.1, 182.3, 254 and 407.3; tax NOL carrybacks in account 165 and 236; ADIT; nuclear service lives and effect on depreciation and decommissioning.
03/08	ER07-956-000 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization of expenses in account 923; storm damage expense and accounts 924, 228.1, 182.3, 254 and 407.3; tax NOL carrybacks in account 165 and 236; ADIT; nuclear service lives and effect on depreciation and decommissioning.

EXHIBIT __ (LK-2)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE)	
GAS AND ELECTRIC COMPANY AND)	
KENTUCKY UTILITIES COMPANY FOR)	CASE NO. 97-300
APPROVAL OF MERGER)	

O R D E R

On July 14, 1997, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") filed a joint application, pursuant to KRS 278.020(4) and 278.020(5), for approval of: 1) the transfer of ownership and control of LG&E and KU in accordance with an Agreement and Plan of Merger dated May 20, 1997; and 2) a five year credit to customers' bills to reflect an allocation of the net five year merger savings. The joint application was supported by extensive exhibits and the prepared testimony of 10 witnesses.

The Applicants gave advance notice of their target filing date and in reliance thereon the Commission established a procedural schedule on July 9, 1997. The procedural schedule was designed to allow for a full investigation of the merits of the merger and the issuance of a final order within the 60-day time limit prescribed in KRS 278.020(5). That procedural schedule provided for two rounds of discovery, an opportunity for intervenors to file testimony, a public hearing, and an opportunity to file post-hearing briefs. The Commission granted full intervention to the following entities: Attorney General's Office of Rate Intervention ("AG"); Kentucky Industrial Utility Customers ("KIUC"); Kentucky Association of Plumbing, Heating and Cooling Contractors ("KAPHCC"); International Brotherhood of Electrical Workers; Metro Human Needs Alliance ("Metro"), People

None of the Intervenor challenged the estimated amounts for non-fuel savings and costs determined by the Deloitte & Touche analysis. KIUC proposed modifications relating to the amortization of the costs to achieve the merger savings and the period over which the net non-fuel savings should be returned to ratepayers.

KIUC contended that the costs should be amortized over 10 years rather than the proposed five years, thereby achieving equity and symmetry. KIUC argues that the impact on ratepayers of the utilities' proposal is to "front-load the cost recovery and to backload and off-load the future savings."¹² KIUC proposed to credit the first five years of savings over just three years to enhance the probability that ratepayers receive at least five years of non-fuel savings. The basis for KIUC's concern is that future electric industry restructuring could result in a premature termination of the proposed surcredit. Finally, KIUC proposed that if the surcredit period is shortened to three years, the net non-fuel savings for the first five years should be levelized and matched to its proposed three-year surcredit period.

The Commission recognizes that a restructuring of the electric industry could affect the ability of LG&E and KU to provide the full amount of net non-fuel savings to ratepayers during the first five years after the merger. However, the likelihood of that happening is minimal since broad-based industry restructuring is at least several years away. In any event, should that happen the ratepayers would not be required to bear any additional costs of the merger and the Applicants' proposed credit, while effective, will have benefitted the ratepayers by tens of millions of dollars. Under the

¹² KIUC Brief at 11.

circumstances, the Commission is not persuaded that KIUC's proposed modifications are appropriate. The utilities have indicated that the costs to achieve the merger savings will be incurred within two years after the merger and KIUC has not adequately demonstrated that a 10 year cost recovery period is reasonable.

SHARING OF MERGER SAVINGS

The Applicants proposed to share with ratepayers the net merger savings during the first five years with no adjustments to base rates for the same period. Under the savings sharing, the identifiable savings for the first five years after the merger, net of implementation costs, are shared on a 50/50 basis between shareholders and ratepayers. The ratepayers' portion is to be split on a 50/50 basis between LG&E's and KU's ratepayers. Thus, LG&E's ratepayers are to receive 25 percent of the non-fuel savings each year for the first five years after the merger. Similarly, KU's ratepayers will receive 25 percent of such savings during the same time period.

The ratepayers' share of the net savings is to be paid in the form of a monthly credit that will be separately identified on customers' bills. For each of the first five years, the sum of the monthly credits is intended to reflect the estimated amount of net savings for that year. The credit is estimated to be approximately two percent of LG&E's and KU's combined annual electric revenues over the first five years after the merger.

The Applicants also propose to not adjust their base rates for five years in the absence of extraordinary circumstances. Although the Applicants did not provide a written definition of "extraordinary circumstances," they stated that their intent was to not increase base rates unless necessitated by unforeseen changes in federal tax laws or

environmental requirements.¹³ The existing adjustment clauses for the recovery of environmental costs, Demand Side Management costs, and fuel costs would not be subject to the freeze. During the hearing the Applicants agreed that while they have characterized their no rate adjustment pledge as a freeze, it would in actuality operate as a cap. It would prohibit either utility from requesting an increase absent extraordinary circumstances, but would not prohibit the Commission from initiating a proceeding upon a complaint or on its own motion.¹⁴

The AG and Metro, POWER, and Shed proposed that the non-fuel merger savings be flowed through to ratepayers by a reduction in base rates, rather than the proposed surcredit mechanism. The Applicants opposed a base rate reduction due to their concerns that the actual level of savings for years 6 through 10 may vary from their projections and, thus, they are unwilling to guarantee the projected levels to ratepayers.

The Intervenors proposed that the identifiable merger savings be shared on a basis that would give a larger portion of the savings to the ratepayers. KIUC proposed a 60/40 sharing, while the Attorney General proposed a 75/25 sharing. They argue that a larger portion of the savings should be shared with the ratepayers due to the Applicants' current earnings. The Applicants, however, claim that their earnings should not be investigated in a merger case. In addition, the Applicants argue that such an investigation in this case would require them to terminate the merger because it is a fully

¹³ Transcript of Evidence ("T.E."), Vol. I, August 19, 1997 at 83.

¹⁴ Applicants' Response to AG's First Data Request, Item 40.

priced transaction and any reduction in their earnings would result in an unacceptable loss of shareholder value.¹⁵

The Applicants did, however, acknowledge that the Commission's statutory jurisdiction to regulate utility rates encompassed the authority to investigate and review LG&E's and KU's earnings.¹⁶ The Applicants urge that any review of their earnings take place after consummation of merger due to the volume of work associated with both a merger and an earnings review.¹⁷ The AG agreed that an earnings review should not be a condition of merger,¹⁸ while KIUC acknowledged that an earnings review could be considered separately from the merger.¹⁹ The Commission notes that prior to the Applicants filing this merger case, none of the parties had filed a complaint setting forth a prima facie case that either LG&E's or KU's rates were unreasonable, and the Commission had made no decision to do so on its own motion.

LG&E strenuously maintains that its 1996 earnings are a "high water mark," and that they have already started to drop. All of the parties did agree that taking a snapshot look at earnings, rather than conducting a full rate investigation, was inappropriate for determining whether the Applicants' earnings are reasonable. One factor complicating an earnings analysis is the differing time periods used by the parties. While the AG and

¹⁵ T.E., Vol. I, August 19, 1997, at 147.

¹⁶ T.E., Vol. I, August 19, 1997, at 33.

¹⁷ T.E., Vol. I, August 19, 1997, at 149-152.

¹⁸ T.E., Vol. III, August 21, 1997, at 145.

¹⁹ T.E., Vol. III, August 21, 1997, at 53.

KIUC have analyzed the Applicants' earnings for the 12 months ending December 31, 1996, the Applicants presented more recent financial information for the 12 months ending June 30, 1997. Another complicating factor is the need to separate LG&E's electric earnings from those of its gas and non-regulated operations. Similarly, KU's Kentucky retail earnings must be separated from its Virginia and wholesale operations. Further complicating such analysis is the absence of the dozens of detailed pro forma adjustments needed to ensure that the test period is representative for rate-making purposes.

In conclusion, the Commission finds that to determine whether a utility is currently overearning requires an economic analysis of two factors: 1) what is a reasonable cost of equity in today's economic conditions; and 2) what is the utility currently earning on its equity. The record in this case contains no analysis of the reasonable cost of equity for either LG&E or KU and, with the limited evidence on current earnings, no definitive finding of overearning can be made. The Commission will continue to monitor LG&E's and KU's financial reports and retains its statutory authority to initiate action which may include an investigation of rates should circumstances warrant.

Thus, the Commission is not persuaded to adjust the Applicants' proposed ratio for sharing merger benefits. Nor do we believe that a reduction in base rates, rather than a billing credit, is necessary or appropriate to ensure an uninterrupted sharing of merger savings with ratepayers. Further, the Commission finds that it is not appropriate in this instance to establish an earnings review as a precondition to the merger. The Applicants' proposed rate credits will provide significant future benefits to ratepayers, and

the parties as well as the Commission retain the ability under KRS 278.260 to review the utilities' earnings.

The Commission does, however, find a serious shortcoming in the Applicants' proposal to reflect the merger savings for only five years, with a vague commitment to thereafter discuss with the Commission the need to continue to reflect such savings. While in their brief the Applicants have changed position and now agree to waive the five-year expiration date on their proposed surcredit tariff, such waiver still comes up short. Beginning in the sixth year of the merger, the annual levels of non-fuel merger savings are projected to increase significantly. Thus, the Commission finds that LG&E and KU should initiate formal proceedings, no later than midway through the fifth year of the merger, to present a plan for sharing with ratepayers the then projected levels of merger savings. This requirement, coupled with the Applicants' waiver of the expiration date on their surcredit tariff, will ensure an uninterrupted sharing of merger savings.

ALLOCATION OF CREDIT TO CUSTOMERS

The Applicants propose to split non-fuel merger savings between utilities on a 50/50 basis. The savings available to KU's ratepayers are then allocated among its Kentucky, Virginia, and FERC jurisdictions based on total revenue. The savings available to KU's Kentucky jurisdictional customers and LG&E's electric customers are then allocated to customer classes based on kilowatt hour usage.

The AG recommends that non-fuel merger savings be allocated among utilities, jurisdictions, and customer classes using shares of non-fuel revenue.²⁰ Metro, POWER,

²⁰ Kahal Testimony at 33.

EXHIBIT __ (LK-3)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 26th day of August, 2003, by and between Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU"); Commonwealth of Kentucky, ex. rel. A.B. Chandler, III, Attorney General, by and through the Office for Rate Intervention ("AG"); Lexington-Fayette Urban County Government ("LFUCG"); and the Kentucky Industrial Utility Customers, Inc. ("KIUC") and the interests of its participating members as represented by and through the KIUC in the proceedings involving LG&E and KU that are the subject of this Settlement Agreement.

WITNESSETH:

WHEREAS, LG&E filed on January 13, 2003 with the Kentucky Public Service Commission ("Commission") its Application for an Order approving its Plan to Address the Future of the Merger Surcredits approved by the Commission in *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger*, Case No. 97-300 and the Commission has established Case No. 2002-00430 to review LG&E's application;

WHEREAS, KU filed on January 13, 2003 with the Commission its Application for an Order approving its Plan to Address the Future of the Merger Surcredits approved by the Commission in *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger*, Case No. 97-300 and the Commission has established Case No. 2002-00429 to review KU's application;

WHEREAS, the AG and the KIUC have been granted intervention by the Commission in both of the forgoing proceedings and LFUCG has been granted intervention by the Commission in Case No. 2002-00429;

WHEREAS, an informal conference attended by representatives of the AG, KIUC, LFUCG, the Commission Staff and Applicants took place on August 11, 2003 at the offices of the Commission during which potential settlement of the proceedings was discussed and negotiations to settle the pending proceedings before the Commission took place at the offices of the AG with representatives of the AG, KIUC, LFUCG, and Applicants on August 15, 2003 during which the parties reached an unanimous settlement of all issues in the forgoing proceedings which the parties believe offer valuable benefits to all classes of customers without affording any one class undue preference or undue discriminatory treatment; and

WHEREAS, the signatories to this Settlement Agreement desire to settle all issues pending before the Commission in Case Nos. 2002-00429 and 2002-00430.

NOW, THEREFORE, for and in consideration of the premises and conditions set forth herein, the parties hereby agree as follows:

ARTICLE 1.0 **Continued Customer Sharing of Non-Fuel Savings
From The LG&E/KU Merger**

SECTION 1.1 LG&E's and KU's Merger Surcredit mechanisms will remain in place for another five year term, beginning July 1, 2003 and ending June 30, 2008. Customers and shareholders will continue to equally share during the entirety of this five-year period the LG&E/KU merger savings on a 50/50 basis using the same ratemaking mechanisms and treatment previously used and approved by the Commission. LG&E's customers will continue to be allocated 47 percent of the customer portion of the merger savings; KU's customers will continue to be allocated 53 percent of the customer portion of the merger savings.

SECTION 1.2 During the new five-year term, LG&E and KU will share certain amounts of gross non-fuel estimated savings, based upon the gross non-fuel estimated savings identified in the Deloitte & Touche Study in Case No. 97-300 and the parties' subsequent negotiations regarding the appropriate level of savings in this proceeding. The parties have agreed that the level of the merger non-fuel savings should be increased to amounts set forth herein and levelized over years six through ten. The parties further agree that result of this settlement agreement reflects an equitable compromise of the litigation positions of the parties.

SECTION 1.3 LG&E's and KU's customers' share of the LG&E/KU merger savings shall be levelized over the new five year term for the merger surcredit mechanisms and shall be distributed as follows:

SECTION 1.3.1 LG&E's electric customers, excluding certain LG&E industrial customers identified below, will receive a total of \$90,226,275 over the five-year period or \$18,045,255 annually in the form of monthly bill credits through the operation of the LG&E merger surcredit mechanism. The annual amounts of the credit due to be provided to the customers from July 1, 2003 through June 30, 2008 is set forth in the proposed revision to LG&E's Merger Surcredit Rider ("MSR") tariff. The version of the Merger Surcredit Rider tariff that LG&E proposes to implement the terms of this settlement agreement is contained in Exhibit 1 to this agreement.

SECTION 1.3.2 Certain LG&E industrial customers, in lieu of annual amounts distributed by the monthly operation of the LG&E merger surcredit mechanism, will receive one-time payments which, when combined with any merger

surcredit amounts they received in the form of monthly bill credits subsequent to June 30, 2003, but prior to receipt of their one-time payments, will total \$6,910,728. This figure is the cumulative amount of merger surcredit these customers would be entitled to receive over the five year period, assuming service during that time is taken at the level of 2002 service, discounted by a present value factor of 10%. Such one-time payments are in accord with prior commission orders in Case Nos. 93-465, 94-332 and 10320 and will provide additional monetary benefit to other LG&E customers by increasing the surcredit during the five year period ending June 30, 2008 by the difference between the merger surcredit amounts for the certain industrial customers identified in Exhibit 2 using a ten percent present value discount factor and the authorized weighted average cost of capital for LG&E and KU (\$168,074) plus an added contribution of savings made by LG&E to customers not eligible for the one-time payment option of \$331,926. A list of these customers and the amounts they will receive through the one-time payment, unadjusted for the merger surcredit amounts included in their bills for service rendered subsequent to June 30, 2003, and prior to receipt of such one-time payments, are shown on Exhibit 2 to this document. LG&E reserves the right to adjust the one-time payments to reflect prior monthly billings of the merger surcredit. These customers may elect between continuing to receive the merger surcredit amounts over the new five-year term or receiving the one-time payment in the form of either a bill credit or by direct payment; and said election must be made in writing to LG&E within seven days of the execution of this settlement agreement. The KIUC one-time payment allocation is not a refund and is intended to provide a cash-flow option to the KIUC members in exchange for providing LG&E's

other customers a greater amount of merger surcredit savings, thereby providing a valuable benefit to all customers.

SECTION 1.3.2.1 Direct payments will be made 30 days following each customer's first billing after the Commission issues an order approving the settlement.

SECTION 1.3.2.2 LG&E industrial customers electing to receive the one-time payment in the form of a bill credit will receive their credit on a pre-tax basis — i.e., the gross amount due for electric services shall be equal to the monthly usage billed on the tariffed rate less the one-time bill credit ("Gross Receipts"), and will separately indemnify LG&E for this provision. LG&E will calculate and invoice applicable Kentucky sales and use taxes, utility gross receipts license taxes for schools and municipal franchise fees upon the Gross Receipts.

SECTION 1.3.3 KU's electric customers, excluding certain KU industrial customers and certain accounts of LFUCG identified below, will receive a total of \$89,494,665 over the five year period or \$17,898,933 annually in the form of bill credits through the operation of the KU merger surcredit mechanism. The annual amounts of the credit due to be provided to the customers from July 1, 2003 through June 30, 2008 is set forth in the proposed revision to KU's MSR tariff. The version of the MSR tariff that KU proposes to implement the terms of this settlement agreement is contained in Exhibit 3 to this agreement.

SECTION 1.3.4 Certain KU industrial customers and certain accounts of LFUCG, in lieu of annual amounts distributed by the monthly operation of

the KU merger surcredit mechanism, will receive one-time payments which, when combined with the merger surcredit amounts they received in the form of monthly bill credits subsequent to June 30, 2003, but prior to receipt of their one-time payments, will total \$5,202,222 and \$147,237 respectively. These figures are the cumulative amount of merger surcredit these customers would be entitled to receive over the five year period, assuming service during that time is taken at the level of 2002 service, discounted by a present value factor of 10%. Such one-time payments are in accord with prior commission orders in Case Nos. 93-465, 94-332 and 10320, and will provide additional monetary benefit to other KU customers by increasing the dollar amount available for distribution through the merger surcredit during the five-year period ending June 30, 2008 by the difference between the merger surcredit amounts for certain industrial customers shown on Exhibit 4 and certain accounts for LFUCG shown on Exhibit 5 using a ten percent present value discount factor and the authorized weighted average cost of capital for LG&E and KU (\$112,024) plus an added contribution of savings made by the company to customers not eligible for the one-time payment option of \$387,976. A list of these customers and the amounts they will receive through the one-time payment, unadjusted for the merger surcredit amounts included in their bills for service rendered subsequent to June 30, 2003, and prior to receipt of such one-time payments, are shown on Exhibit 4 and Exhibit 5, respectively, to this document. KU reserves the right to adjust the one-time payments to reflect prior monthly billings of the merger surcredit. These customers may elect between continuing to receive the merger surcredit amounts over the new five-year term or receiving the one-time payment in the form of either a bill

credit or by direct payment and said election must be made in writing to KU within seven days of the execution of this settlement agreement. The KIUC and LFUCG one-time payment allocation is not a refund and is intended to provide a cash-flow option to the KIUC members and the LFUCG in exchange for providing KU's other customers a greater amount of merger surcredit savings, thereby providing valuable benefit to all customers.

SECTION 1.3.4.1 Direct payments will be made 30 days following each customer's first billing after the Commission issues an order approving the settlement.

SECTION 1.3.4.2 KU industrial customers electing to receive the one-time payment in the form of a bill credit will receive their credit on a pre-tax basis — i.e., the gross amount due for electric services shall be equal to the monthly usage billed on the tariffed rate less the one-time bill credit ("Gross Receipts"), and will separately indemnify KU for this provision. KU will calculate and invoice applicable Kentucky sales and use taxes, utility gross receipts license taxes for schools and municipal franchise fees upon the Gross Receipts.

ARTICLE 2.0 Accounting Treatments

SECTION 2.1 LG&E shall be permitted to record on its books a deferred debit equal to the payment made pursuant to Section 1.3.2, and amortize this amount on a straight-line basis over the five-year period commencing July 1, 2003.

SECTION 2.2 KU shall be permitted to record on its books a deferred debit equal to the payment made pursuant to Section 1.3.4, and amortize this amount on a straight-line basis over the five-year period commencing July 1, 2003.

ARTICLE 3.0 **Continued Shareholder Sharing of Non-Fuel Savings
From LG&E/KU Merger**

SECTION 3.1 The LG&E shareholders' fifty-percent share of the savings is equal to \$19,427,401 annually and for ratemaking purposes shall be provided as follows:

SECTION 3.1.1 In the calculation of operating income in the annual Earnings Sharing Mechanism, the shareholders' portion of the merger savings will be recognized as an adjustment to increase expense as described below and as approved by the Commission in Case No. 98-426.

SECTION 3.1.1.1 The adjustment in the 2003 annual Earnings Sharing Mechanism filing will recognize the shareholders' portion of the merger savings at the year-five level for the entire year since the current tariff will remain in effect until December 31, 2003. The total 2003 adjustment will be \$18,332,116.

SECTION 3.1.1.2 The adjustment in the 2004 annual Earnings Sharing Mechanism filing will recognize the shareholders' portion of the merger savings as an adjustment to increase expense in the amount of \$19,975,044 to reflect the shareholders' fifty-percent portion of the savings equal to \$19,427,401 plus the annual merger savings over the year-five savings level for the period July 1, 2003 through December 31, 2003 of \$547,643. The \$547,643 amount will be included in the total amount of the annual savings to be distributed in the MSR tariff for the period January 1,

2004 through June 30, 2004. The total 2004-adjustment to increase the expense level in the 2004 annual Earnings Sharing Mechanism filing will be \$19,975,044; and the total amount to be distributed through LG&E's MSR tariff in 2004 will be \$18,592,898. The difference in these two amounts is the amortization identified in Section 2.1.

SECTION 3.1.1.3 The adjustments in the 2005, 2006 and 2007 annual Earnings Sharing Mechanism filing will recognize the full \$19,427,401 as an adjustment to expense for the shareholders' fifty-percent share of the savings for each year. This adjustment is consistent with the amount distributed through the MSR tariff commencing July 1, 2004, plus the amortization identified in Section 2.1.

SECTION 3.1.1.4 The adjustment in the 2008 annual Earnings Sharing Mechanism filing to expense to recognize the shareholders' fifty-percent share of the savings will reflect one-half of the annual shareholders' savings, \$9,713,701, for the six months ended June 30, 2008, and includes the remaining amortization identified in Section 2.1.

SECTION 3.1.1.5 Operating revenues included in the annual calculation of the Earnings Sharing Mechanism filings will be performed to reflect a debit equal to the customers' fifty-percent share of the savings recognized for that year and the amortized amounts provided for in Section 2.1 in lieu of the actual MSR revenue surcredit.

SECTION 3.1.1.6 A summary of the LG&E annual shareholders' and customers' savings is set forth below. These savings are subject to annual balancing adjustments required to account for revenue variances and adjustments

needed to reflect changes in the deferred amount pursuant to Section 2.1. For example, the July through December 2003 customers' savings amount at the year-five level of \$9,166,058 will be reduced by the industrial customers' portion of the surcredit that will not be paid subsequent to the one-time payments pursuant to Section 1.3.2. Such reduction will also change the amortization of these one-time payments included in customer savings during this six-month period.

Year	Shareholders' Savings		Customers' Savings		Amortization of Industrials
	January 1 thru June 30	July 1 thru December 31	January 1 thru June 30	July 1 thru December 31	
2003	9,166,058	9,166,058	9,166,058	8,474,985	691,073
2004	10,261,343	9,713,701	9,570,270	9,022,628	1,382,146
2005	9,713,701	9,713,701	9,022,628	9,022,628	1,382,146
2006	9,713,701	9,713,701	9,022,628	9,022,628	1,382,146
2007	9,713,701	9,713,701	9,022,628	9,022,628	1,382,146
2008	9,713,701	-	9,022,628	-	691,073

Customer savings for the period January 1 through June 30, 2003, will also be adjusted for the remaining five-year amortization of the costs to achieve the merger, \$1,814,670.

SECTION 3.1.2 In the calculation of the test year operating income in LG&E's revenue requirement in any LG&E electric base rate case, in order to reflect the agreed upon going forward levels of the shareholders' portion of the merger savings, the full \$19,427,401 will be recognized as an adjustment to increase expense to secure the fifty-percent portion of the shareholders' savings consistent with the recognition of this

type of an expense adjustment in Case No. 98-426. Operating revenues included in the test year net operating income will be proformed to reflect a debit equal to \$19,427,401.

SECTION 3.2 The KU shareholders' fifty-percent share of the savings is equal to \$18,968,825 annually and for ratemaking purposes shall be provided as follows:

SECTION 3.2.1 In the calculation of operating income in the annual Earnings Sharing Mechanism the shareholders' portion of the merger savings will be recognized as an adjustment to increase expense as described below and as approved by the Commission in Case No. 98-474.

SECTION 3.2.1.1 The adjustment in the 2003 annual Earnings Sharing Mechanism filing will recognize the shareholders' portion of the merger savings at the year-five level for the entire year since the current tariff will remain in effect until December 31, 2003. The jurisdictional allocation of the year-five savings will change to the percentage used in the calculation of this settlement for the period July 1 through December 31, 2003. The total 2003 adjustment will be \$17,869,521.

SECTION 3.2.1.2 The adjustment in the 2004 annual Earnings Sharing Mechanism filing will recognize the shareholders' portion of the merger savings as an adjustment to increase expense in the full amount of \$19,546,024 to reflect the shareholders' fifty-percent portion of the savings, equal to \$18,968,825, plus the annual merger savings over the year-five savings level used July 1, 2003 through December 31, 2003 of \$577,199. The \$577,199 amount will be included in the total amount of savings to be distributed in KU's MSR tariff for the period January 1, 2004 through June 30, 2004. The total 2004 adjustment to increase the expense level in the 2004 annual

Earnings Sharing Mechanism filing will be \$19,546,024; and the total amount to be distributed in KU's MSR tariff in 2004 will be \$18,476,131. The difference in these two amounts is the amortization identified in Section 2.2.

SECTION 3.2.1.3 The adjustments in the 2005, 2006 and 2007 annual Earnings Sharing Mechanism filing will recognize the full \$18,968,825 as an adjustment to expense for the shareholders' fifty-percent share of the savings for each year. This adjustment is consistent with the amount distributed through the MSR Rider tariff commencing July 1, 2004, plus the amortization identified in Section 2.2.

SECTION 3.2.1.4 The adjustment in the 2008 annual Earnings Sharing Mechanism filing to increase expense to recognize the shareholders' fifty-percent share of the savings will reflect the remaining half of the shareholders' savings, \$9,484,413 for the six months ended June 30, 2008, and includes the remaining amortization identified in Section 2.2.

SECTION 3.2.1.5 Operating revenues included in the annual calculation of the Earnings Sharing Mechanism will be proformed to reflect a debit equal to the customers' fifty-percent share of the savings recognized for that year and the amortized amounts provided for in Section 2.2 in lieu of the actual MSR revenue surcredit.

SECTION 3.2.1.6 A summary of the KU annual shareholders' and customers' savings is set forth below. These savings are subject to annual balancing adjustments required to account for revenue variances and adjustments needed to reflect changes in the deferred amount pursuant to Section 2.2. For example, the July through

December 2003 customers' savings amount at the year-five level of \$8,907,214 will be reduced by the industrial customers' portion of the surcredit that will not be paid subsequent to the one-time payments pursuant to Section 1.3.4. Such reduction will also change the amortization of these one-time payments included in customer savings during this six-month period.

Year	Shareholders' Savings		Customers' Savings		Amortization of Industrials and Lexington
	January 1 thru June 30	July 1 thru December 31	January 1 thru June 30	July 1 thru December 31	
2003	8,962,307	8,907,214	8,962,307	8,372,268	534,946
2004	10,061,612	9,484,413	9,526,665	8,949,467	1,069,892
2005	9,484,413	9,484,413	8,949,467	8,949,467	1,069,892
2006	9,484,413	9,484,413	8,949,467	8,949,467	1,069,892
2007	9,484,413	9,484,413	8,949,467	8,949,467	1,069,892
2008	9,484,413	-	8,949,467	-	534,946

Customer savings for the period January 1 through June 30, 2003, will also be adjusted for the remaining five-year amortization of the costs to achieve the merger, \$2,046,330.

SECTION 3.2.2 In the calculation of the test year operating income in KU's revenue requirement in any KU electric base rate case, in order to reflect the agreed upon going forward levels of the shareholders' portion of the merger savings, the full \$18,968,825 will be recognized as an adjustment to increase expense to secure the fifty-percent portion of the shareholders' savings consistent with the recognition of this

type of an expense adjustment in Case No. 98-474. Operating revenues included in the test year net operating income will be proformed to reflect a debit equal to \$18,968,825.

ARTICLE 4.0 Termination

SECTION 4.1 Six months prior to the expiration of the five-year period in which the merger surcredit is in operation, LG&E and KU will file with the Commission a plan for the future disposition of the merger surcredits. If the shareholder savings identified in this settlement agreement are included in LG&E's or KU's base rates or their Earnings Sharing Mechanism or the succeeding ratemaking mechanism thereto as provided for in this settlement agreement at the conclusion of the tenth year of the operation of the merger surcredit mechanisms, the merger surcredit tariffs shall remain in effect following the expiration of the tenth year until the Commission enters an order on their future disposition.

ARTICLE 5.0 Changes in Regulation During the Term of the Settlement Agreement

SECTION 5.1 Notwithstanding any change in law which permits the deregulation of LG&E's and KU's retail electric operations, rates and services under the laws of the Commonwealth of Kentucky during the term of this Settlement Agreement, LG&E and KU commit to continue the equal sharing of the LG&E/KU merger savings identified in this Settlement Agreement between customers and shareholders using the same ratemaking mechanisms and treatments identified in this Settlement Agreement.

ARTICLE 6.0 Approval of Settlement Agreement

SECTION 6.1 Request for Approval by the Commission

Following the execution of this Settlement Agreement, the signatories shall cause the Settlement Agreement to be filed with the Commission with a request to the Commission for consideration and approval of this Settlement Agreement by September 19, 2003.

SECTION 6.2 Recommendation for Approval to the Commission

The signatories to this Settlement Agreement shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.

SECTION 6.3 Approval of Settlement Agreement in its Entirety

If the Commission issues a final order which accepts and approves this Settlement Agreement in its entirety, then the parties hereto hereby waive any and all claims or demands, asserted or unasserted, directly arising out of or in connection with the sharing of the non-fuel savings from the LG&E/KU merger between customers and shareholders and the ratemaking treatment thereof during the additional five year term in this Settlement Agreement and such claims or demands shall be deemed compromised and settled under and released and discharged by this Settlement Agreement.

SECTION 6.4 No Approval of Settlement Agreement in its Entirety

If the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) this Settlement Agreement shall be void and withdrawn by the parties hereto from further consideration by the Commission and none of the parties shall be

bound by any of the provisions herein; and (b) neither the terms of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any of the signatories to this Settlement Agreement or be construed against any of the signatories.

SECTION 6.5 Status Quo

Should the Settlement Agreement be voided or vacated for any reason after the Commission has approved the Settlement Agreement and thereafter any implementation of the terms of the Settlement Agreement has been made, then the parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this agreement.

ARTICLE 7.0 Additional Provisions

SECTION 7.1 This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

SECTION 7.2 This Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors and assigns.

SECTION 7.3 This Settlement Agreement constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

SECTION 7.4 For the purpose of this Settlement Agreement only, the terms are based upon the independent analysis of the parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation. Notwithstanding anything contained in the Settlement Agreement, the parties recognize and agree that the effects, if any, of any future events upon the operating income of LG&E or KU are unknown, and this Settlement Agreement shall be implemented as written.

SECTION 7.5 Neither the Settlement Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the settlement rates and adjustments set forth herein or the approval of this Settlement Agreement. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

SECTION 7.6 Making this agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion or contention made by any other party in these proceedings is true or valid.

SECTION 7.7 The signatories hereto warrant that they have informed, advised, and consulted with the respective parties hereto in regard to the contents and significance of this agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of the parties hereto.

SECTION 7.8 This Agreement is subject to the acceptance of and approval by the Public Service Commission.

SECTION 7.9 This Settlement Agreement is a product of all the parties,
and no provision of this Settlement Agreement shall be strictly construed in favor of or
against any party.

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures.

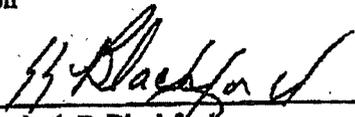
Louisville Gas and Electric Company
and Kentucky Utilities Company

By: 

Kendrick R. Riggs, Counsel
Linda S. Portasik, Counsel

Commonwealth of Kentucky, ex. rel. A.B. Chandler, III,
Attorney General, by and through the Office for Rate
Intervention

By: _____


Elizabeth E. Blackford,
Assistant Attorney General

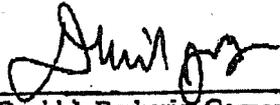
Kentucky Industrial Utility Customers, Inc.

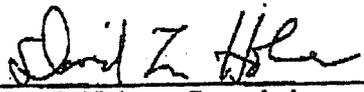
By: Michael L. Kurtz 8/26/03
David F. Boehm, Counsel
Michael L. Kurtz, Counsel

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Lexington-Fayette Urban County Government

By: 
David J. Barberie, Corporate Counsel

By: 
David L. Holmes, Commissioner of Law

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STANDARD RIDER

MSR

Merger Surcredit Rider

AVAILABILITY

In all territory served.

APPLICABLE

To all electric rate schedules excluding those customers receiving their one-time payment of the surcredit amount under the settlement agreement in PSC Case No. 2002-00430.

SURCREDIT

The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Merger Surcredit Factor, which shall be calculated in accordance with the following formula:

$$\text{Merger Surcredit Factor} = \text{MS} + \text{BA}$$

Where:

(MS) is the Merger Surcredit which is based on the total Company savings that are to be distributed to Company's customers in each 12-month period beginning July 1, 1998.

	Savings to be Distributed	Merger Surcredit (MS)
Year 1	\$ 6,183,320	1.109%
Year 2	9,018,830	1.587%
Year 3	12,168,065	2.103%
Year 4	13,355,755	2.265%
Year 5	14,702,775	2.451%
Year 6	18,045,255	3.185%*
Year 7	18,045,255	3.129%
Year 8	18,045,255	3.052%
Year 9	18,045,255	3.001%
Year 10	18,045,255	2.954%

*Reflects the average factor for the year. Actual application determined by the Final Order in PSC Case No. 2002-00430.

(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Merger Surcredit Factor from the previous year by the expected retail sales revenue. The final Balancing Adjustment will be applied to customer billings in the second month following the tenth distribution year.

Date of Issue: August 26, 2003
 Cancelling First Revised Sheet No. 23-M
 Issued January 13, 2003

Issued By

Date Effective: Upon Issuance of Final Order
 in PSC Case No. 2002-00430

Michael S. Beer, Vice President
 Louisville, Kentucky

STANDARD RIDER

MSR

Merger Surcredit Rider

TERMS OF DISTRIBUTION

1. The total distribution to Company's customers will, in no case, be less than the sum of the amounts shown above.
2. On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Surcredit. Such report shall include a statement showing the amounts which were expected to be distributed and the amounts actually distributed in previous periods, along with a calculation of the Balancing Adjustment (BA) which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under distributions.
3. The Merger Surcredit shall be applied to the customer's bill following the rates and charges for electric service, but before application of the school tax, the franchise fee, sales tax or other similar items.
4. The Company shall file a plan with the PSC midway through Year 10 of this schedule to address the future disposition of the Merger Surcredit and pending a final order from the Commission in that proceeding, the Merger Surcredit shall remain in effect.

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Date of Issue: August 26, 2003
Canceling First Revised Sheet No. 23-N
Issued January 13, 2003

Issued By

Date Effective: Upon Issuance of Final Order
in PSC Case No. 2002-00430

Michael S. Beer, Vice President
Louisville, Kentucky

Exhibit 2

Louisville Gas and Electric Company

One-time Payments to Certain Industrial Customers

12 Months Ended December 2002

Customer	Account	Total Billings	Merger Surcredit	Total Billings Less Merger Surcredit	Allocation Factor	Discounted Merger Surcredit Amount
						\$ 78,165,944
E I duPont & Co Inc	1000593434001	\$ 4,871,515.53	\$ (125,650.01)	\$ 4,997,165.54	0.829805%	\$ 648,625.10
Golden Foods	8000001882001	602,725.35	(15,546.33)	618,271.68	0.102667%	80,250.80
Carbon Industries, LLC	0000945185001	6,791,778.43	(174,839.64)	6,966,618.07	1.156843%	904,257.28
Arch Chemicals, Inc.	9000000737001	1,871,213.33	(48,295.36)	1,919,508.69	0.318744%	249,149.54
Ford Motor Company-KTP	7000596830001	8,858,266.05	(228,350.30)	9,086,616.35	1.508880%	1,179,430.09
Ford Motor Company-LAP	9000000182001	5,088,919.89	(131,218.89)	5,220,138.78	0.866831%	677,566.71
Kosmos Cement Co Inc	1000596121001	5,255,116.15	(135,706.87)	5,390,823.02	0.895174%	699,721.29
Rohm & Haas Co	9000000656001	3,402,928.39	(87,780.73)	3,490,709.12	0.579650%	453,089.16
Oxy Vinyls LP	3000861188001	5,765,179.76	(148,510.77)	5,913,690.53	0.981999%	767,588.76
General Electric Co	000596953001	7,907,696.93	(203,798.29)	8,111,495.22	1.346956%	1,052,860.73
Alcan Rolled Products	8000002567001	608,870.09	(15,744.13)	624,614.22	0.103720%	81,074.05
Protein Technologies	8000002662002	879,604.04	(22,671.14)	902,275.18	0.149827%	117,114.06
Total KIUC Members served by LG&E		\$ 51,903,813.94	\$ (1,338,112.46)	\$ 53,241,926.40	8.841098%	\$ 6,910,727.58
Total LG&E		\$ 587,153,607.29	\$ (15,055,844.00)	\$ 602,209,451.29		
Percentage of Total		8.839904%	8.887662%	8.841098%		

ELECTRIC RATE SCHEDULE

MSR

Merger Surcredit Rider

APPLICABLE

In all territory served by the Company.

AVAILABILITY OF SERVICE

To Kentucky Utilities Company Electric Rate Schedules RS, FERS, GS, CWH, 33, AES, LP, LCI-TOD, HLF, MP, LMP-TOD, M, ST.LT., P.O.LT., C.O.LT., and SEASONAL/TEMPORARY SERVICE RIDER, excluding those customers receiving their one-time payment of the surcredit amount under the settlement agreement in PSC Case No. 2002-00429.

RATE

The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Merger Surcredit Factor, which shall be calculated in accordance with the following formula:

$$\text{Merger Surcredit Factor} = \text{MS} + \text{BA}$$

Where:

(MS) is the Merger Surcredit which is based on the total Company savings that are to be distributed to the Company's Kentucky jurisdictional retail customers in each 12-month period beginning July 1, 1998.

	Savings to be Distributed	Merger Surcredit (MS)
Year 1	\$ 6,008,699	0.972%
Year 2	\$ 8,764,133	1.387%
Year 3	\$11,824,431	1.836%
Year 4	\$12,978,580	1.979%
Year 5	\$14,287,560	2.139%
Year 6	\$17,898,933	2.646%*
Year 7	\$17,898,933	2.568%
Year 8	\$17,898,933	2.503%
Year 9	\$17,898,933	2.442%
Year 10	\$17,898,933	2.389%

*Reflects the average factor for the year. Actual application determined by the Final Order in PSC Case No. 2002-00429.

(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Merger Surcredit Factor from the previous year by the expected Kentucky jurisdictional retail electric revenues. The final Balancing Adjustment will be applied to customer billings in the second month following the tenth distribution year.

TERMS OF DISTRIBUTION

- (1) The total distribution to Company's customers will, in no case, be less than the sum of the amounts shown above.
- (2) On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Surcredit. Such report shall include a statement showing the amounts which were expected to be distributed and the amounts actually distributed in previous periods, along with a calculation of the Balancing Adjustment (BA) which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under-distributions.

Date of Issue: August 26, 2003
Cancelling First Revised Sheet No. 24.2
Issued January 13, 2003

Issued By

Date Effective: Upon Issuance of Final Order
in PSC Case No. 2002-00429

Michael S. Beer, Vice President
Lexington, Kentucky

ELECTRIC RATE SCHEDULE	MSR
Merger Surcredit Rider	
<p>(3) The Merger Surcredit shall be applied to the customer's bill following the rates and charges for electric service, but before application of the school tax, the franchise fee, sales tax or similar items.</p> <p>(4) The Company shall file a plan with the PSC midway through Year 10 of this schedule to address the future disposition of the Merger Surcredit and pending a final order from the Commission in that proceeding, the Merger Surcredit shall remain in effect.</p>	

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Date of Issue: August 26, 2003
Canceling First Revised Sheet No. 24.2
Issued January 13, 2003

Issued By

Date Effective: Upon Issuance of Final Order
in PSC Case No. 2002-00429

Michael S. Beer, Vice President
Lexington, Kentucky

Exhibit 4

Kentucky Utilities Company

One-time Payments to Certain Industrial Customers

12 Months Ended December 2002

Customer	Account	Total Billings	Merger Surcredit	Total Billings Less Merger Surcredit	Allocation Factor	Discounted Merger Surcredit Amount
						\$ 75,958,588
Clopay Corp.	236553-010	\$ 14,681.35	\$ (347.04)	\$ 15,028.39	0.002206%	\$ 1,675.75
Clopay Corp.	332081-001	324,386.58	(7,651.17)	332,037.75	0.048743%	37,024.17
Clopay Corp.	360554-010	301,346.04	(7,095.35)	308,441.39	0.045279%	34,393.03
Clopay Corp.	560536-001	174,734.36	(4,109.81)	178,844.17	0.026254%	19,942.18
Clopay Corp.	586436-001	24,829.72	(585.59)	25,415.31	0.003731%	2,833.96
Clopay Corp.	597621-001	16,064.71	(369.28)	16,433.99	0.002412%	1,832.49
R R Donnelley & Sons	396627-010	1,879,258.81	(44,233.11)	1,923,491.92	0.282365%	214,480.69
Corning, Inc.	346607-010	2,234,660.40	(52,505.95)	2,287,166.35	0.335752%	255,032.53
Toyota Motor Mfg. Kentucky	430833-001	9,864,139.85	(232,253.75)	10,096,393.60	1.482133%	1,125,807.41
Toyota Motor Mfg. Kentucky	157230-001	7,062,820.64	(166,263.19)	7,229,083.83	1.061217%	806,085.47
Osram Sylvania, Inc.	077082-010	617,340.66	(14,551.86)	631,892.52	0.092761%	70,459.74
Osram Sylvania, Inc.	271386-010	1,493,713.07	(35,169.34)	1,528,882.41	0.224437%	170,479.40
Osram Sylvania, Inc.	580018-001	199,346.32	(4,688.72)	204,035.04	0.029952%	22,751.11
Lexmark International, Inc.	257924-011	947,208.68	(22,213.97)	969,422.65	0.142310%	108,096.34
Lexmark International, Inc.	305918-011	2,549,116.03	(60,012.31)	2,609,128.34	0.383016%	290,933.19
Square D	354699-010	869,494.63	(20,640.05)	890,134.68	0.130670%	99,255.26
Westvaco	216642-010	11,476,104.56	(270,186.22)	11,746,290.78	1.724335%	1,309,780.68
TI Group	146575-010	668,516.80	(15,823.68)	684,340.48	0.100460%	76,308.00
Dow Corning	151396-011	4,125,025.65	(96,977.93)	4,222,003.58	0.619783%	470,778.29
Dow Corning	329402-011	738,374.87	(17,388.07)	755,762.94	0.110945%	84,272.02
Total KIUC Members served by KU		\$ 45,581,163.73	\$ (1,073,066.39)	\$ 46,654,230.12	6.848760%	\$ 5,202,221.71
Total KU		\$ 665,560,760.33	\$ (15,646,161.73)	\$ 681,206,922.06		
Percentage of Total		6.848535%	6.858336%	6.848760%		

Exhibit 5

Kentucky Utilities Company

One-time Payments to Certain Lexington-Fayette Urban County Government Accounts

12 Months Ended December 2002

Customer	Account	Total Billings	Merger Surcredit	Total Billings Less Merger Surcredit	Allocation Factor	Discounted Merger Surcredit Amount
						\$ 75,958,588
Lex Fay Urban Co Gov 343						
W.I. Sewage Treatment Plant (Ash Grove Pike)	270770-010	\$ 349,823.94	\$ (8,242.64)	\$ 358,066.58	0.052564%	\$ 39,926.53
Lex Fay Urban Co Gov 344						
Sewer Pumping (Elkhorn Road)	325917-010	78,315.64	(1,852.09)	80,167.73	0.011768%	8,939.17
Lex Fay Urban Co Gov 342						
T.O. Sewage Treatment Plant (Old Franklin Pike)	124918-020	343,119.21	(8,089.12)	351,208.33	0.051557%	39,161.80
Lex Fay Urban Co Gov 541						
Fayette County Detention Center (Old Franklin Circle)	555107-002	144,130.07	(3,399.60)	147,529.67	0.021657%	16,450.43
Lex Fay Urban Co Gov 541						
Fayette County Detention Center (Old Franklin Circle)	553700-002	104,581.30	(2,445.19)	107,026.49	0.015711%	11,934.08
Lex Fay Urban Co Gov 713						
Government Center	262842-010	111,953.44	(2,632.22)	114,585.66	0.016821%	12,776.98
Lex Fay Urban Co Gov 551						
Police Headquarters	265842-010	82,012.92	(1,925.43)	83,938.35	0.012322%	9,359.62
Lex Fay Urban Co Gov 713						
Fireworks Building	392845-012	76,123.37	(1,798.29)	77,921.66	0.011439%	8,688.72
Total LFUCG Members served by KU		\$ 1,290,059.89	\$ (30,384.58)	\$ 1,320,444.47	0.193839%	\$ 147,237.34
Total KU		\$ 665,560,760.33	\$ (15,646,161.73)	\$ 681,206,922.06		
Percentage of Total		0.193831%	0.194198%	0.193839%		

EXHIBIT __ (LK-4)

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Data Request
Dated March 25, 2008**

Case No. 2007-00562

Question No. 2

Witness: Lonnie E. Bellar

Q-2. In LG&E's most recent rate case, Case No. 2003-00433,¹ revenue requirements were based on the post-merger, test-year level of expenses plus \$19,427,401 of additional expenses to reflect the shareholder merger savings. In addition, due to a settlement agreement reached in Case No. 2002-00430,² merger surcredits to customers of \$18,045,255 annually were to continue. To properly reflect the merger surcredits in the rate-making process, LG&E's total revenues were reduced by the amount of the surcredits and rates had to be increased by the amount of the surcredits.

- a. Will eliminating LG&E's merger surcredits result in a revenue increase of \$18,045,255 annually for LG&E? If no, explain in detail.
- b. Given that the shareholders' 50 percent of the merger savings is included as an expense in LG&E's existing base rates, will eliminating the merger surcredits result in 100 percent of the merger savings being recovered through base rates? If no, explain in detail.

A-2. a. Yes.

- b. Yes. Base rates have included 100% of merger savings with the surcredits providing an equitable share of the savings (e.g., 50%) to the customer. LG&E's operating results post merger have reflected 100% of realized merger savings. Eliminating the surcredit will offset other increased costs and capital investment, as shown in the Attachment to the Response to Question No. 1(a), and in doing so allow for an equitable termination of the merger surcredit mechanism.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's First Data Request
Dated March 25, 2008**

Case No. 2007-00563

Question No. 2

Witness: Lonnie E. Bellar

Q-2. In KU's most recent rate case, Case No. 2003-00434,¹ revenue requirements were based on the post-merger, test-year level of expenses plus \$18,968,825 of additional expenses to reflect the shareholder merger savings. In addition, due to a settlement agreement reached in Case No. 2002-00429,² merger surcredits to customers of \$17,898,933 annually were to continue. To properly reflect the merger surcredits in the rate-making process, KU's total revenues were reduced by the amount of the surcredits and rates had to be increased by the amount of the surcredits.

- a. Will eliminating KU's merger surcredits result in a revenue increase of \$17,898,933 annually for KU? If no, explain in detail.
- b. Given that the shareholders' 50 percent of the merger savings is included as an expense in KU's existing base rates, will eliminating the merger surcredits result in 100 percent of the merger savings being recovered through base rates? If no, explain in detail.

A-2. a. Yes.

- b. Yes. Base rates have included 100% of merger savings with the surcredits providing an equitable share of the savings (e.g. 50%) to the customer. KU's operating results post merger have reflected 100% of realized merger savings. Eliminating the surcredit will offset other increased costs and capital investment, as shown in the Attachment to the Response to Question No. 1(a), and in doing so allow for an equitable termination of the merger surcredit mechanism.
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